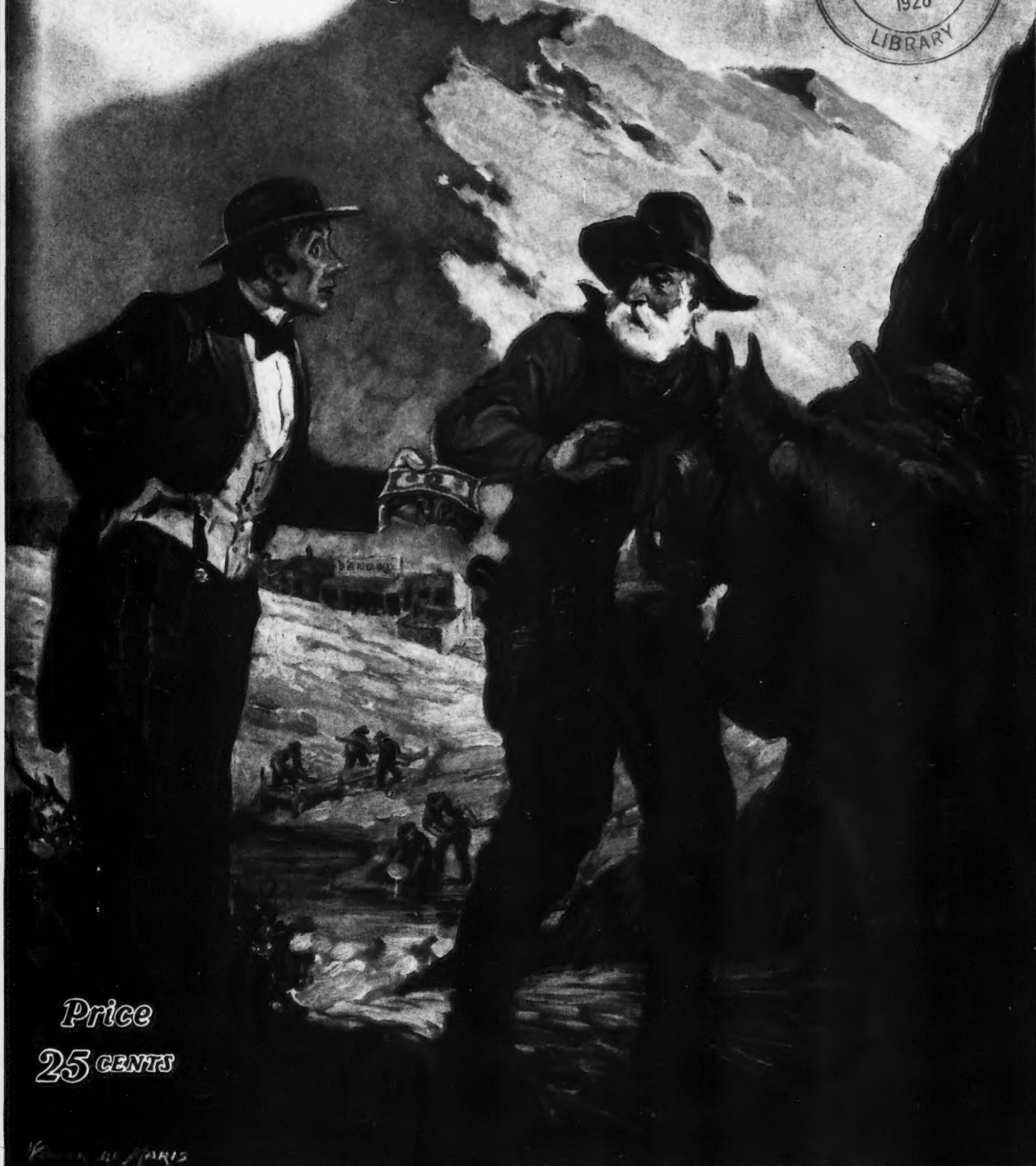
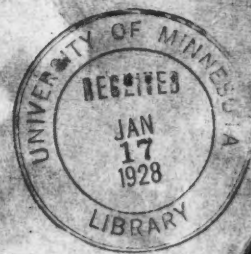


AMERICAN BANKERS

Association

JOURNAL

JANUARY, 1928



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AMERICAN BANKERS ASSOCIATION JOURNAL

The McFadden Act Justifies Itself

By J. W. MCINTOSH
Comptroller of the Currency

Period of Operation Too Short to Demonstrate Full Effects of the Act But Tremendous Advantages to Banking in General and to Business Are Apparent. New and Powerful Members Gained. 127 New Branches Established. No Eligible List.

WE have now had nearly a year of operation of the national banking system under the McFadden Act of February 25, 1927. The time has been too short to afford a demonstration of the full effects of the Act, but not too short to indicate the tremendous advantages of this legislation, both to the national banks and to the business communities which they serve, and, indeed, also to the entire banking business. National banks have been given elbow-room to do for their customers what needs to be done, to grow as business conditions require that they must grow, and to have that permanence and solidity which react beneficially on the entire business structure of the country.

The past year has been the beginning of a new epoch for banking, far more important than is probably recognized by either bankers or other business men. Great banks have consolidated and have entered the national banking system. New branches have been established. The national system's strength, as measured by total resources, has definitely turned upward.

These are the spectacular phenomena attendant upon the establishment of a new liberalized policy toward national banks. An even more important, but less evident, result has been the freeing of national banks from a multitude of old restrictions and the legalizing of logical and inevitable practices which were not fully established in the letter of the former antiquated national banking law. The effect of this feeling of freedom is becoming evident as bankers work along under the new law.

The gain of national banks is not at the expense of state systems, broadly speaking. It will be demonstrated in time that the

strength given the backbone of our banking mechanism—the national banks—will also extend in varying degrees to the multitude of state banking systems. All interests are benefited.

Traditional Strength Preserved

THE liberalizing of national bank law also has been done with such essential good judgment that the national banks preserve all the traditional strength of conservatism. In establishment of newly authorized branches, for example, the banks themselves have not rushed to acquire branches. This is a significant indication of the cautious policies which in the main have marked the national banking system. Credit is due not merely to the many minds which contributed to the liberalizing legislation, but also in full measure to the bankers who have taken advantage of their new powers only as conditions justified.

Some practical merits of the McFadden Act can be proved statistically and otherwise, and some, while evident to the close observer, cannot be delineated sharply.

The most easily apparent result is in the new and powerful members of the national system. Some state banks have nationalized. Some national banks have consolidated state banks and brought these state units into the family of national banks. A large majority of these two classes of cases are attributable directly to the McFadden Act. On Dec. 31, 1926, a year ago, the number of national banks was 7912, and their aggregate resources were \$25,683,849,000. On Oct. 10, 1927, the number of national banks was 7804, somewhat lower, but aggregate

resources were \$27,213,824,000—greater by \$1,529,000,000, or 6 per cent. National banks have become healthier and stronger during the period covered by the running of new national banking act.

For years the national banks have been losing to state banking systems, in terms of percentage of total resources. The state laws afforded flexibility to bank operations, and this flexibility tended to outweigh the advantages of undoubted banking conservatism attaching to membership in the national system. Between 1918 and 1924, a bare six years, the national system lost more than \$2,230,000,000 to the state systems. Between 1923 and 1926 this movement was marked, for 253 national banks entered state systems, taking resources of more than \$1,000,000,000. Yet in seven and one-half months after enactment of the new law the movement back to the national banking system more than made up the previous three-year loss. Since the entire banking structure, and specifically the Federal Reserve System, rests in the main upon the national banks, the importance of this healthy growth on the business stability of the country is evident. In this alone the new national bank act is justified.

Examples of additions to the national system since Feb. 25, 1927, are well known. The Bank of Italy National Trust and Savings Association through nationalization brought in aggregate resources of \$674,526,131. The First National Bank of Los Angeles brought in by consolidation of the Pacific Southwest Trust and Savings Bank new resources of \$197,164,069. The Continental & Commercial National Bank of Chicago brought in by consolidation of the Continental and Commercial Trust and Savings Bank

new resources of \$113,045,391. The Citizens and Southern National Bank of Savannah through conversion added \$67,384,186.

The Hanover National Bank of New York brought in the newly nationalized Greenwich Bank, with resources of \$31,884,572. The Mutual National Bank of the City of New York, by nationalization, added resources of \$18,251,722. The Hartford-Aetna National Bank of Hartford, Conn., brought in by consolidation of the United States Security Trust Company, new resources of \$15,817,112. The Traders National Bank of Birmingham added through consolidation of the American Trust and Savings Bank, resources of \$18,150,900. The Merchants National Bank of Mobile through conversion added \$14,437,692.

Growth of Branches

THE growth of branch banking as a result of the new national bank act has not been especially marked. Only 127 new branches were established under the Act up to Oct. 31, 1927, and, of course, all were within the respective cities of the parent banks. The most notable examples are: By the Bank of Italy, San Francisco, 11 branches; the First National Bank of Detroit, 11; the First National Bank, Louisville, 7; the Bowery and East River National Bank, New York, 10; the National City Bank, New York, 6; the Chemical Na-

tional Bank, New York, 5; the Fourth and First National Bank, Nashville, 9.

Of the 899 branch banks in the national system on Oct. 31, 1927, 400 came in by conversion and consolidation of state banks since enactment of new law, and were in existence when the new measure became law; 207 had previously existed as "additional offices," approved by the Comptroller of the Currency, and 165 were branches in operation when the new act became law. The net addition of branch banks, due to the new law, is only 127. This small number appears to be due largely to a conservative policy on the part of national bankers.

The new law has been beneficial in many other respects. The assurance of perpetual charters for national banks has had three kinds of effects. It has given our entire commercial banking system a stability and permanence which it did not previously have. It has insured the permanency of the Federal Reserve System. It has strengthened tremendously the trust powers of national banks, for a trustee, to be valuable, should be permanent.

Since enactment of the new law, 148 national banks have been granted permits to act in a fiduciary capacity and 235 national banks holding fiduciary permits started to administer trusts. During the year, 543 national banks adopted resolutions providing for organization and operation of trust departments. For the fiscal year 1927 earn-

ings of trust departments in national banks aggregated \$10,811,000, an increase of \$2,556,000 over 1926, and \$4,860,000 over 1925. The number of national banks availing themselves of the privilege of including the words "trust company" in their titles is constantly increasing. Much of the movement toward entry of the trust field is due to the new law.

The first effect of making legal the practice by national banks of buying and selling investment securities was to establish clearly powers which theretofore had been exercised with hesitancy. The extent to which national banks will take advantage of these new powers is not yet clearly ascertainable. Some banks are slowly formulating plans to act as merchants of investment securities. The Comptroller's Office has issued regulations laying down certain general principles to be followed in determining what securities conform to the law, but has not and will not issue any specific list of "eligible securities."

The power to buy and sell securities, if conservatively used, as I have no doubt it will be, can be counted upon to contribute much to the orderly distribution of securities.

I confidently expect the advantages of this new legislation, which are already clear to bankers themselves, to be generally understood and accepted by the business public. The National Bank Act of 1927 will be regarded as one of the greatest pieces of economic legislation in the decade.

Administrative Committee Meets

THE Administrative Committee of the American Bankers Association, meeting Dec. 19 at the Hotel Vanderbilt in New York City, approved the principle of the bill now before Congress prohibiting the shipment of pistols and other concealable weapons in interstate commerce, provided it contain the same exceptions as the Phipps-Miller Bill signed by President Coolidge last February.

The Committee also approved the principle of the measure drafted by the National Crime Commission regulating the sale, possession and use of concealable weapons and authorized the Committee on State Legislation to recommend to state organizations of bankers the enactment of uniform legislation along the lines of the Crime Commission's bill.

The bill now in the House prohibiting and providing punishment for the transportation of stolen property in interstate or foreign commerce also was approved. Action was deferred on the resolution referred by the Executive Council to the Administrative Committee favoring legislation by Congress to increase the penalty now imposed for mail frauds, mail robberies and fraudulent bankruptcies.

The committee indorsed the following resolution adopted by the Executive Council at its Houston meeting:

"Resolved that the Federal Legislative Committee endeavor to secure an amendment to the National Bank Act so that no depositor to whom has been forwarded a statement of account can claim incorrectness of same for any cause after a reasonable time, and in no case exceeding five years from date of rendition of such statement.

"Further resolved that the Committee on State Legislation urge similar legislation through state organizations of banks."

Recommendation was made to the Executive Council that By-law IX of the American Bankers Association be amended by adding this sentence to the second paragraph:

"At any meeting of the Board of Trustees five members shall constitute a quorum."

And to add a third paragraph reading as follows:

"The Board of Trustees shall adopt by-laws, rules and regulations, which may be amended from time to time, governing the establishing of scholarships and other details connected with the custody, investment and administration of such fund."

For Change in Institute

THE committee urged the revision of the second by-law of the American Institute of Banking Section, to read as follows:

"The educational work of the Institute shall be under the general supervision of the Educational Director. A Board of Regents may be appointed to assist him. The number of members of said board of regents shall be determined and appointed by the Executive Council of the Institute and serve during the pleasure of said Council."

Recommendation was made that all currency be reduced to the uniform size suggested by the Secretary of the Treasury, it being understood that this motion carries with it the recommendation that national bank notes be reduced in size along with the other currency.

A resolution was presented by Walter S. McLucas, president of the Trust Company Division, urging upon Congress the adoption of an amendment to the Revenue Act to exclude from the class of associations now

subject to the corporation tax, all trusts and other unincorporated agencies created for the primary purpose of liquidating specific property as a single venture. This resolution was not approved in the form presented, but the committee authorized the general counsel of the Association to try to obtain amendment by Congress of the pending revenue act so as to remedy the injustice set forth by the Trust Company Division.

THE committee approved the time and place for the Spring Meeting of the Executive Council, April 16-19, inclusive, at the Bon-Air Vanderbilt Hotel, Augusta, Ga. The suggestion of Philadelphia bankers that the Association's annual convention in 1928 in Philadelphia be held during the first week of October was accepted.

The following regional conferences were approved:

Savings Bank Division—Seattle, March 8 and 9; Chicago, March 15 and 16; New York, March 22 and 23; Richmond, April 5 and 6.

Clearing House Section—Kansas City, early in 1928, definite date yet to be fixed.

Group Subscriptions

The Group Subscription Plan enables banks to provide each member of its staff and each of its directors with his own individual copy of the *American Bankers Association Journal*.

This magazine each month conveys to the reader many facts, opinions and suggestions that will make him more useful to his institution and more useful to its customers. Protective Section Warnings give additional security against losses.

The Changing Business World

By THOMAS R. PRESTON

President American Bankers Association; President Hamilton National Bank, Chattanooga, Tenn.

Drift of Population to Cities. Where Industry and Agriculture Are in Balance No Serious Agricultural Problem. Government in Business. Freight Rates and Taxes. Inequality of Income Tax. Inheritance Tax Most Indefensible and Unreasonable.

THE American Bankers Association is the largest business organization in this country. In its membership are included the great metropolitan banks on down to the smallest banks in the remotest villages of the land. Fundamentally the problems of the great bank are also the problems of the small bank, as sound banking principles for the city are also sound banking principles for the village; they differ only in degree.

When we come to the last analysis there is not much difference in people; wherever you go you find the favored few with the five talents, some have the two talents, the multitude has but the one talent. Environment, however, makes a great difference. Things are unequally distributed in this world, due largely to the difference in opportunity and capacity. However, under similar conditions the individual reaction is about the same.

For instance, the rest of the country is buying on the installment plan, and New York City is doing the same. The rest of the country speaks of New York City about as it does of them. Each calls the other primitive and provincial; and each can prove his proposition. As an example, the last mule-drawn street car in this country was crossing Fifth Avenue at Thirty-fourth Street. All other cities in the United States had abandoned this mode of conveyance years before. New York is now about the only city where one can hire a horse drawn cab, and the only place in the United States where the people insist on getting twenty-five cents' worth of transportation for a nickel; every other city is charging what it is worth. No wonder people are tramped on daily in the subway.

I am second to no one in admiration for New York. It is the pride of everyone, and the sounding board of the country, and when that city is really in action it thrills the nation, as it did many times during the war and has done many times since.

The Dromedary for Business Troubles

THERE is now and always has been a certain prejudice upon the part of the public against those engaged in the banking business. I presume this is largely because banks are the guardians and investors of the country's capital, they are the instrumentalities through which credit resources are massed and made responsive to public needs. Bankers touch life at every angle. They are not different from other people. Someone asked Abraham Lincoln what he thought

of the farmer. His reply was that some were wise and some were foolish; some were industrious and some were indolent, but upon the whole they were no better and no worse than other people; the same impulses that moved others moved them. The same may be said of bankers.

As an illustration of how banking is regarded, during the recent convention in Houston a number of newspapers used such headlines as "Kings of Finance are Now in Session," or similar expressions, conveying the impression that everyone connected with a bank was immensely wealthy. I can testify from first-hand information that that is not the case. No greater proportion of bankers are wealthy than are men in other lines, and I know of no class of people who work harder, or upon whom the demands are greater than upon those engaged in banking.

The average banker is the dromedary for the business troubles of his community, he is the packhorse on which is loaded the economic difficulties of his neighbors. The Association is trying to break down the so-called prejudice against banks by acquainting the public with our problems and difficulties.

Changes of Twenty Years

HISTORY has never been written with so swift a pen as during the past twenty years. It has in some ways completely changed our relation to the rest of the world and made radical changes among ourselves.

Twenty years ago we owed Europe, now Europe owes us; then London was the financial and commercial center of the world, now it is New York; then we were sellers of our own securities abroad, and borrowers, now we are purchasers of foreign securities, and lenders of vast sums. Only recently the New York Stock Exchange admitted to listing certain foreign securities, a thing undreamed of a generation ago.

The resources of the banks of this country are now four times as large as they were twenty years ago. The standards of living were never so high in this country or anywhere else as they are now, wealth was never so widely diffused among the people. The year 1926 in volume of business was the greatest of any peace year this or any other country has ever enjoyed.

Twenty years ago we had one-fifth of the gold of all the world. Now we have about one-half. Twenty years ago our banking system was far from satisfactory, now it is the greatest ever devised by any nation.

History records no parallel to what has occurred in this country in the past twenty years.

A most profound change in our social and business life is now taking place so quietly that few of us realize what it really means, that is the shifting of our population from rural to urban. Forty years ago 75 per cent of the population of this country was rural and 25 per cent urban. At the rate we are now going it will be but a few years until these percentages will be completely reversed. Eighty per cent of the population of New England is now urban and 20 per cent rural. Good roads and automobiles have probably contributed more to this than any other one thing. There is today more money invested in connection with automobiles in this country than in our railroads.

This shifting of population has brought a multitude of changes. It is making a decided change in our method of merchandising. The jobber as well as the country store is fast disappearing; the substitutes for these are chain stores, mail order houses, and sales direct from the manufacturer. The crossroads postoffice, the blacksmith shop have already disappeared; the country church is almost a thing of the past.

In many sections the villages are actually declining in population, in contrast to the tremendous gains in the larger towns and cities.

Causes of Bank Failures

THIS new condition is also making a great change in the village bank, and it may in time mean the disappearance of many of our small financial units. The small banks have in the past been a mighty factor in the growth and development of this country. There are still 84 per cent of the banks of this country in towns of less than 5000 population.

In the past six years we have witnessed more bank failures than have ever occurred in any like period in the history of this country. It has tied up hundreds of millions of dollars and brought distress to many.

The American Bankers Association has sought to ascertain the real reason for these failures when the country was gaining so rapidly in both population and wealth. Since 1914 there have been organized in this country more than 11,000 new banks. In 1921 we had 30,812 banking institutions. New banks were chartered everywhere, apparently without the slightest restriction. In some states they had a bank for every 740 people.

The other extreme was in one of the eastern states where they had one bank for every 73,000 of population.

The majority of bank failures has not been caused by the depression in agriculture, nor by bad management, though both have been contributing factors. The real reason has been the multiplicity of banks. Banks were established far beyond the needs of the country, and it has been demonstrated over and over again that a few relatively large financial institutions can serve the public better than a multitude of small ones.

Many remedies have been suggested for this condition, one of which is county or regional clearing houses, and the bringing about of the consolidation of many of these small financial units. The American Bankers Association is supporting these and other constructive measures with increasing diligence, and the comptroller and bank commissioners of the various states are cooperating, as a rule, in a splendid way. It is within their power to prevent a recurrence of this situation by refusing to grant charters to any community anywhere that already has ample banking facilities.

Where Industry and Agriculture Are Balanced

NO class of people has been more diligent in trying to understand the agricultural problem than the bankers of this country. The agricultural problem is a real problem and demands the best thought of everyone. This country cannot continue along happy lines with only sections of the country prosperous. Prosperity must be passed around if anybody is long to enjoy it. The good things in life cannot be restricted to certain classes without impoverishing the whole nation. The basic reason why we are prosperous is that we have millions of people who are not only able to buy the necessities but the luxuries of life. The luxuries of yesterday are the necessities of today. This question cannot be solved by the farmers alone, but the majority opinion is that there is no legislative remedy for agriculture, it is an economic question pure and simple, and must be worked out accordingly.

A few years ago it was contended that agriculture did not have sufficient credit facilities. That proposition was often made a political question. I do not presume there are many who will question the fact that agriculture now has ample credit facilities.

It is a fact that no community and no state has ever become great purely from agriculture. It is not to the interest of New York and other great centers to see the small communities and the agricultural sections losing their wealth and importance. In the end it will react upon them to their disadvantage. There seems to me a real rem-

edy for these small communities and also for agriculture. This remedy, which is the mixing of industry with agriculture, is now being applied in many localities with satisfactory results.

Industry and agriculture are better balanced in Ohio, North Carolina and Pennsylvania than in any other states of the Union, and in these states there is no serious agricultural problem and we hear little complaint from the farmers. This mixing of industry and agriculture is called by some de-centralization of industry.

I would not suggest that manufacturing institutions move from the cities to the small villages, but I think it would be better for this country for future industries to be placed in small villages rather than to be further congested in the great centers. This would in part also be a solution of our labor problem, if we really have one. The bringing of industries to small villages increases the market for agricultural products, gives employment to surplus labor, elevates the standards of living, increases public revenue, reduces taxes and vastly increases educational facilities.

Twelve years ago Kingsport, Tenn., had a population of



"New York is the only place in the United States where the people insist on getting twenty-five cents' worth of transportation for a nickel"

about one thousand. Great industries like the Eastman Kodak Company, a large cement plant, and a number of other industries were located there partly through the influence of an outstanding New York business man. In a little more than twelve years these have brought the population of that city up to 17,000. Just a few miles away, at Elizabethton, they are building a great rayon plant, the first unit to cost \$5,000,000. The population of that town is now 2000, but it is estimated that this will be multiplied by five in less than two years. It is stated by the *Manufacturer's Record* that the total investment in manufacturing industry in that community within a period of five years will probably reach \$50,000,000.

The balancing of industry and agriculture will solve most of our so-called agricultural problems and we will not need such measures as the McNary-Haugen Bill, which if

enacted, will in my opinion, do harm to the very class it pretends to benefit.

The Government in Business

THE American Bankers Association has spent a great deal of time and money gathering facts and giving attention to the matter of taxation. We all realize that taxes are necessary, and that the governments, both state and Federal, are being constantly urged by certain classes to undertake things that were unthought of a few years ago. There is a constant clamor from certain noisy minorities to put both the state and Federal governments ever further in business. The lessons of the past mean nothing to them, and to the fact that it is endangering free government they give no consideration.

It will be an unfortunate day for America when the government undertakes to do that for which it is ill-prepared, and for it to undertake activities which the people alone should carry on. The state and the government have again and again endeavored to conduct private business and the result has

always been a failure, with increased taxes as a monument to their folly. When the government managed our railroads for a brief period, the actual loss to the people was a sum equal to about one-tenth of the present United States debt.

Some years ago, in one of the western states, the ultra-political progressives persuaded the people of that state that the banks were robbing them, and that the state should conduct its own financial institutions, then credit would be easy and money cheap. So the state went into the

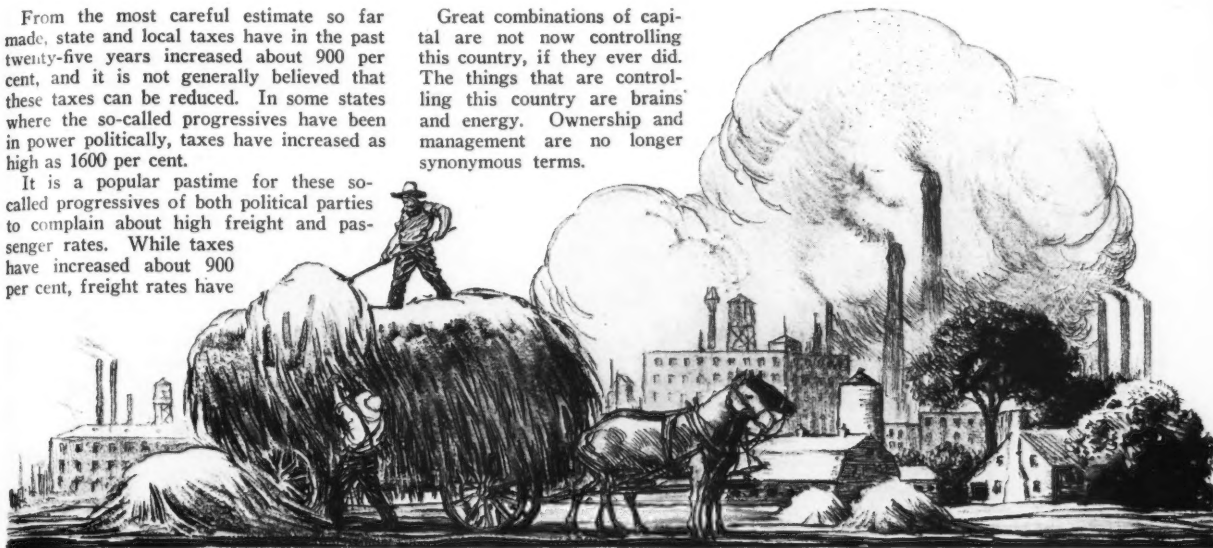
banking business. These politicians then persuaded the people that the great flour mills, grain elevators and warehouses and the merchants were also robbing them. So the state established its own flour mills, grain elevators and warehouses, and went into the mercantile business. And then they persuaded the people that the butchers were robbing them, and so the state established its own butcher shops.

The result was that the banks failed, the flour mills failed, the grain elevators and warehouses failed, the general stores failed, the butcher shops failed and finally when the sober, sensible people of that state kicked out of office these "friends of the common people" and again took charge of their affairs, they found that the tax burden had been greatly increased and the state debt was forty times as great as it was before this unhappy experiment of a government conducting private business.

From the most careful estimate so far made, state and local taxes have in the past twenty-five years increased about 900 per cent, and it is not generally believed that these taxes can be reduced. In some states where the so-called progressives have been in power politically, taxes have increased as high as 1600 per cent.

It is a popular pastime for these so-called progressives of both political parties to complain about high freight and passenger rates. While taxes have increased about 900 per cent, freight rates have

Great combinations of capital are not now controlling this country, if they ever did. The things that are controlling this country are brains and energy. Ownership and management are no longer synonymous terms.



"It would be better for this country for future industries to be placed in these small villages"

increased only 51 per cent, and passenger rates 53 per cent. There is scarcely a railroad in this country that is not paying more in taxes than it is paying in dividends to stockholders. The tendency everywhere is to burden corporations with an undue proportion of taxes.

Corporations are comparatively new things in this country. Prior to the Civil War there were few. It is the one method by which a multitude of individuals can mass all or part of their resources in a co-operative enterprise for the purpose of developing the country, and whether we realize it or not corporations in the future are going to be in very much larger units than they have ever been before.

The activities of certain corporations should be subjected to reasonable regulations. Large units of capital result in benefit to the public. One of the most striking examples is the growth and development of our electric power companies. There are 21,000,000 homes in the United States, and 16,000,000 of them now have electric lights. The electric lamp costs one-fourteenth per candle-power of what it cost twenty-five years ago. This would have been utterly impossible except by reason of large corporations. This situation is also true of the telephone. They are installing new telephones in this country at the rate of 75,000 per month.

It is a fortunate thing that so many people now own stock in these and other corporations. Any man who desires to do so can become a partner of John D. Rockefeller in Standard Oil, or in any other of the great corporations of the country. Few things have contributed more to the growth and prosperity of this country, to the happiness and comfort of the people, than these great institutions.

The reason some of these progressive politicians do not get any further in their abuse of corporations is because they are talking to the very people who own them. There are at least 15,000,000 of people who own directly or indirectly the corporations of this country.

There is, however, a notable tendency almost everywhere to punish corporations. It is probably reflected more clearly in our federal income tax than in anything else. The normal tax on individuals, as everyone knows, is graduated up to 5 per cent. The normal tax on corporations is more than two and one-half times the maximum tax on individuals.

How Can This Be Justified?

AS an illustration, a corporation earning \$10,000 per annum, after exemptions, would pay to the government \$1,080 per annum in taxes. An individual earning identically the same amount, even in the same business, would pay about \$190. How this can be justified as an equitable distribution of the tax burden is beyond my comprehension. There is a hope that this corporation tax will be speedily reduced. As soon as the finances of this country justify there should be further and greater reductions.

The American Bankers Association has also given some attention to what is known as inheritance taxes. This is the most indefensible, unreasonable and confiscatory tax ever levied upon any people. There is certainly no excuse for a government inheritance tax, except in times of war, and it has never before been resorted to except for war purposes. It is a penalty put upon the heirs of an estate at a time when they are least able to bear it, and often at a period of great shrinkage. It takes from a man's estate at death that which no government has ever attempted to take during life.

As an illustration of the harshness of the inheritance tax I will give you a single example: A man living in Kentucky had a manufacturing plant in Ohio and a sales office in New York. He died during the last depression. He had labored a lifetime to accumulate an estate for his wife and children. His death occurred at the peak of the inheritance tax, which at that time was levied on the total of the estate. His estate was appraised at about \$1,000,000, practically all invested in a single manufacturing plant. When his estate had paid

the inheritance tax levied by Ohio, Kentucky, New York, and the United States government, coupled with the sacrifice that had to be made in order to raise the cash, the widow and orphan children had but one-third of the appraised value of the estate left. The other 66½ per cent had gone for inheritance taxes.

If Henry Ford had died at the peak of the inheritance tax I doubt very much if his great industry could have survived. This is doubtless true of many other industries. The government alone has taken up to 40 per cent in inheritance taxes and can do so again.

During the contest in Florida over the question of whether they would amend their constitution, forever prohibiting inheritance taxes, hypothetical cases were cited showing it was possible for inheritance taxes to consume an entire estate and actually leave a deficit. Of course, under such circumstances the taxing authorities would give the widow and children time to work out the balance.

Will Do More Harm than Good

I DOUBT the wisdom of an inheritance tax, even when levied by the state. I think in the end it will do more harm than good. It is economically unsound and morally wrong. Men do not labor and strive in this world for the purpose of leaving a large percentage of their accumulations to the tax gatherers. The incentive that moves men to sacrifice and strive and labor to provide a competency for those dependent upon them, is one of the finest impulses of human nature. Rob a man of that incentive and you do an irreparable injury to the country.

I take no stock in the thought so often expressed that this so-called sordid and commercial age is robbing the people of the finer and better things of life; neither do I believe it is dwarfing the soul of the nation. Any country that can produce a Thomas A. Edison, a Charles A. Lindbergh and a Calvin Coolidge is not a place "where wealth accumulates and men decay."

ROAD SIGNS

WHO has not seen high above the ground, a shrub, or a bush growing from a crag or from a crevice in a piece of masonry, and marveled that plant life could exist in such a difficult position?

In some mysterious way, unaided by human hands, the seed from which the shrub grew obtained a start, and has held on during the years, though subject to all the strain of summer and winter storms.

Whence comes its sustenance? How can it retain its place when tempests beat upon it, and even giant trees in the forests come crashing down?

OTHERS of its kind grow in fertile soil and are so placed that they receive the full benefit of the sun and the rain, but the hermit bush clinging to a stone thrives on nothing visible.

By such phenomena nature appeals to and encourages the wayfarer along the highway of life. It seems as if nature would say: The seed grew where it fell, it made its life out of such scant materials as were available; it did not give up because there was so little and because the place was so barren. It caught such

moisture and such sunshine as it could. Through all the storms of summer and winter, through the heat and the snow, it hangs on, and even as the more favored of its kind do, in its season, it blooms.

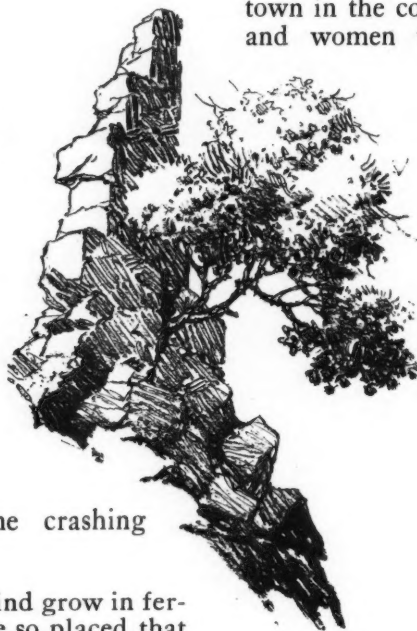
There is probably not a city nor town in the country without its men and women who sometimes have misgivings about the future—who doubt if they are making, or can ever make a success of life in such an unpromising environment as that in which they find themselves.

BUT perhaps the barren environment may have unsuspected possibilities; perhaps the place and present duties are developing qualities and abilities which need adversity

alone to develop.

Great men have sprung from poor places because, notwithstanding almost hopeless environment, they made the best of their lot, worked faithfully and kept growing mentally.

He who is increasing his store of knowledge and broadening his mind with such facilities as he can lay hold of need have no misgivings about the future. He can have what he will.



The coins of success are cheerful industry, perseverance and courage.

By James E. Clark.

Meeting the Run on America's Gold

By GURDEN EDWARDS

Shrinkage of Gold Basis Underlying Nation's Credit Structure Raises the Question, "Are We Confronted With Inflation?" An Index of the Shift of Credit. Orderly Export of Gold from the United States in Contrast to Way the Metal Came.

GOLD has suddenly become America's big financial problem again. In the three-month period ending Nov. 30, 1927, about \$75,000,000 of gold in excess of all imports was drawn out of the United States, and in the same period the nation's gold reserves held in the Federal Reserve banks dropped by \$193,000,000, due to these losses through export, and likewise to the earmarking of gold for foreign account, which also aggregated some \$75,000,000.

Unofficial figures indicated that the outflow of gold continued through December at the same rapid pace, and this is reflected in the Federal Reserve holdings, which suffered a further drop by Dec. 15 of \$13,000,000, bringing the total loss in the three and a half months ending on that date up to \$206,000,000, or just under 7 per cent.

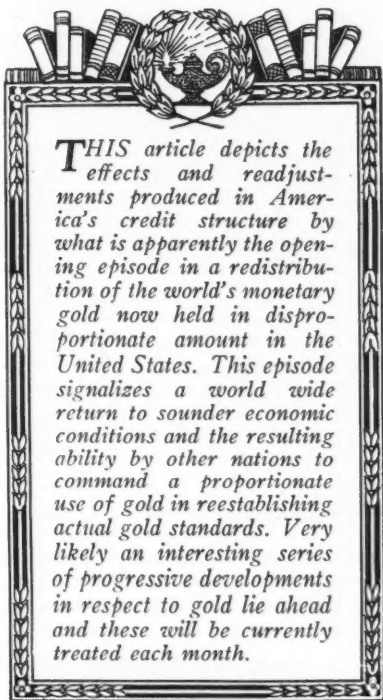
These facts mean that in this period the visible gold basis underlying the nation's credit structure as held in the Federal Reserve banks was suddenly reduced to an extent marking the movement as an important economic episode, with significant bearings both in national and international finance.

This sudden shrinkage occurs at a time when the banking credit of the United States is in a highly expanded state—a state of actual inflation, in the opinion of many. Under financial conditions that have passed away such an attack on the foundations of the country's edifice of credit might well have seriously shaken the entire structure and have menaced existing prosperity. Under conditions that obtain today, however, with a more flexible financial system, there seems to be small doubt that orderly adjustments to changing gold conditions will be accomplished without difficulty.

Are We Confronted With Inflation?

CONTROVERSY exists as to whether the United States is confronted with inflation. Some assert that it is. They claim that the seriousness of this inflation has escaped notice because it is markedly different from the more obvious type of inflation that has brought business disaster to the nation in the past. It is not the kind of inflation, they say, that accompanies a period of swollen inventories in the hands of manufacturers and merchants purchased at high and rising prices, of over-expanded industrial and commercial operations and of huge payrolls, for none of these circumstances are now present.

Inflation of that kind is the outcome of over-optimism and an expansion of credit that stimulates the productive processes of



the nation to the limit and goes on, when it cannot stimulate increased production further, to induce a rise in prices beyond levels at which the public is able to buy goods in the quantities produced. Such a situation, ordinarily called a buyers' strike but more accurately a buyers' lock-out, since the public, however willing to buy, is financially shut out from doing so, brings on a slowing down and stagnation in trade. That means a freezing of commercial credit through the inability of merchants and manufacturers to liquidate their inventories. It means also a consequent further expansion of credit to finance current business and carry distressed enterprises over the difficulties involved in disposing of high-price inventories on a falling market. It means curtailment of operations and unemployment that further impairs general buying power.

This was the sequence of events brought about in former periods of inflation—notably that post-war inflation which began in 1919 and ended in 1921 in the greatest depression of all time in the United States.

There is no one to claim that the 1921 brand of inflation obtains today—and if it did there is no one to doubt that, if it was from under such a flimsy credit structure

that there suddenly occurred the present loss in three months' time of \$200,000,000 of gold, it would inevitably have resulted in violent money stringency, a calling of loans, distressful selling of securities and merchandise and other dire events that would have led to widespread disaster. If inflation exists it is clearly not that kind.

Inflation, however, is purely a relative term, and it is easier to identify it by hindsight than either foresight or its actual presence. Generally speaking, it is true that a given relatively small amount of gold will safely support a certain rather large volume of credit under what might be called normal business conditions. That is, a basic block of gold as reserve is sufficient to support what may be graphically pictured as an inverted, blunt-pointed pyramid of credit without its toppling over. If, however, the inverted pyramid is expanded too far it becomes top-heavy and shaky, and that is general inflation. If, on the other hand, the underlying gold block is cut away to a great enough extent the inverted pyramid might become equally shaky without the slightest increase in the volume of credit itself. Again, assuming that the four sides of the inverted pyramid represent areas respectively comprising credits for purposes of Production, Distribution, Investment and Speculation, if a disproportionate weight becomes concentrated in respect to any one of these areas, as by a speculative boom, a distorted and unbalanced condition of the pyramid is bound to result through specific inflation, and a crash of the whole is liable to follow.

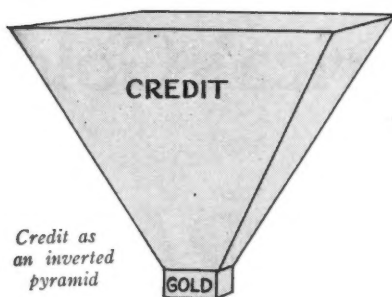
Credit Moved Over

THOSE who claim that inflation exists in the United States today assert that it is of the latter type—that is, that there has been an undue amount of commercial banking credit moved over to extend the sides of the pyramid having to do with investment and with stock speculation. No one appears to claim that inflation exists in the form of too much manufacturing or mercantile activity, with a consequent over-expansion of commercial loans and commodity prices.

Now, along comes the sudden outflow of gold which seems to threaten to render the situation acute by suddenly contracting the supporting block under the apex of the inverted, lopsided pyramid, rendering its position even more unstable.

The way in which the bank credit pyramid has lately expanded is indicated by the following facts presented in the figures of the reporting member banks of the Federal Reserve system:

In December, 1926, the total loans and



investments held by these banks amounted to \$19,873,000,000. At the corresponding date in December, 1927, the similar items for these banks aggregated \$21,621,000,000. Here was a gain in these typical commercial banks of almost \$1,750,000,000, or nearly 9 per cent. This great credit expansion, however, was not due to an increase in loans extended directly to production and trade. Witness the fact that in December, 1926, of the total loans and investments reported by these banks, \$8,804,000,000 represented, generally speaking, credit grants for agricultural, commercial and industrial purposes, but the same item in December, 1927, amounted to only \$8,776,000,000. Here was an actual contraction in this class of commercial bank credit of \$28,000,000.

On the other hand, credit grants by these commercial banks secured by stocks and bonds, for the purpose of financing speculative and investment operations, amounted to \$5,538,000,000 in December, 1926, and had expanded to no less than \$6,497,000,000 in December, 1927, an increase of almost \$960,000,000, or more than 17 per cent. Furthermore, the direct investment holdings of these banks in the same period increased from \$5,531,000,000 to \$6,348,000,000, that is by over \$815,000,000, or nearly 15 per cent.

These facts mean that the combined items of investment and speculation credits in these commercial banks expanded by about \$1,775,000,000, while credits for industry and commerce actually contracted. Therefore, runs the argument of those who believe the present credit situation in the United States is not all it should be, there has occurred a marked inflation of banking credit through the excessive expansion of investments and stock exchange loans.

If Gold Reserves Contract?

THE question now arises as to what will happen to this somewhat topheavy and lopsided credit structure if the gold reserves under it should continue to contract in substantial proportion. Likewise the question arises as to what will happen in case the industrial and commercial activities of the nation should expand under these circumstances and create a substantial increase in their credit requirements from these banks. Furthermore, these questions are sharpened by recent trends in national banks in reserve cities showing absolute and relative declines in the volume of their loans and discounts

eligible for rediscount at the Federal Reserve banks. This curtailment of banks' reserve borrowing power would tend, in case of sustained demand for increased commercial credit, to bring about a contraction by the commercial banks of their investments and their loans secured by stocks and bonds. The normal consequence of such movements would seem to be the development of credit stringency.

As a matter of fact, however, the initial stages contemplated in the foregoing have actually occurred in recent weeks and yet the anticipated consequences of called loans, reduction of investments and credit stringency have not ensued. Witness these facts:

Between Sept. 7 and Dec. 7, the period of acute gold loss during which Federal Reserve bank gold reserves dropped from \$2,-

going data the nation would have suffered troublesome times were it not for this system, but circumstances that in former years would have meant inflations, money stringencies and crises today are merely part of the smooth, almost noiseless, reciprocating movements of a finely balanced machine.

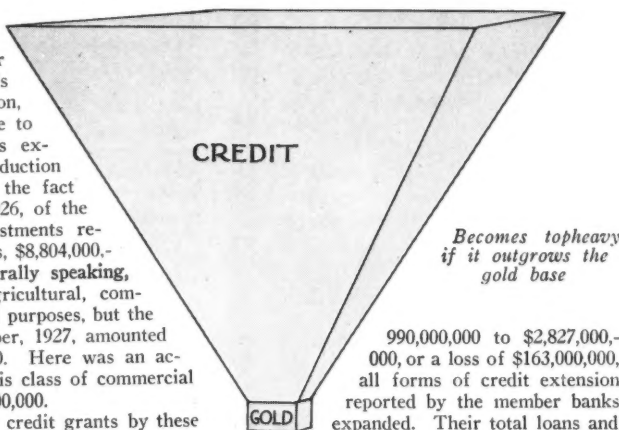
The Mechanism Tested

THE past fall season, with its convergence of a loss of gold reserves and a seasonal expansion of commercial credit requirements, has given this mechanism an interesting test. Developments of both or either of these movements to serious proportions might yet make the test a severe one.

The export of gold through member banks of the Federal Reserve meant a reduction in their deposit reserve accounts, necessitating the use of additional reserve bank credit to replace the loss so as to maintain their reserves at the required level. This compensating expansion of reserve bank credit is reflected in a notable increase in the volume of total bills and securities held by the Federal Reserve banks where the nation's reserve funds are stored. The figure for total bills and securities indicates how much of these funds is being employed by the extension of credits based on them. Sept. 7, 1927, at the outset of gold export this figure amounted to \$1,147,000,000. By Dec. 14 the figure had risen to \$1,475,000,000. Here was an expansion, therefore, of \$328,000,000, or over 28 per cent in reserve bank credit, representing current adjustment between the country's supply and demand for funds.

Reserve bank credit may thus be expanded from three sources. One is borrowing by member banks through the discount of eligible bills at the Federal Reserve banks. On Sept. 7, 1927, bills so discounted totaled \$449,500,000 and on Dec. 14 this item stood at \$495,000,000. Here was an increase of but \$45,500,000. That is, direct bank borrowing accounted for less than 14 per cent of the total expansion of \$328,000,000 noted in this period in reserve bank credit. The importance of this circumstance lies in the fact that a substantial increase of such member bank indebtedness at the Federal Reserve banks would impel the member banks to call loans and sell investments so as to reduce or keep down their debts there, resulting in a tightening of the money market. In the present case, however, the increase in bills discounted was too slight to produce such results.

This was true because the needed expansion of reserve bank credit was mainly brought about in the two other methods

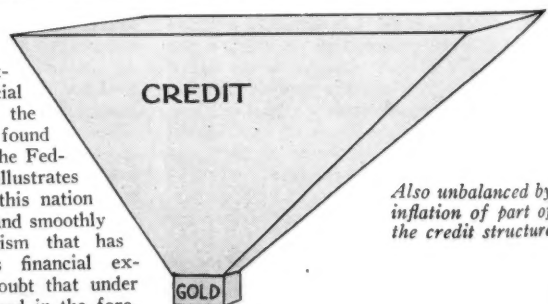


000,000 to \$21,620,000,000, an expansion of \$1,028,000,000. Their loans secured by stocks and bonds rose from \$6,026,000,000 to \$6,497,000,000, an increase of \$471,000,000. Their investments expanded from \$5,921,000,000 to \$6,348,000,000, an increase of \$427,000,000. And at the same time

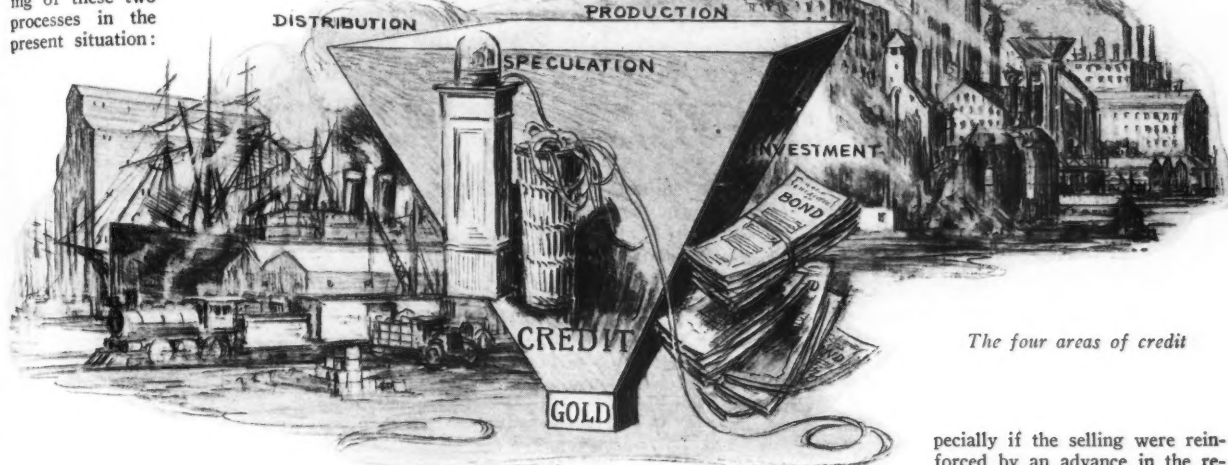
Or if the gold base contracts too much

their commercial credits in this instance also grew, expanding from \$8,646,000,000 to \$8,776,000,000, an increase of \$130,000,000.

The explanation for this apparent paradox of shrinking gold reserves and expanding credits, with neither curtailment of investments and stock exchange loans by commercial banks nor stringency in the money market, is doubtless found chiefly in the operations of the Federal Reserve System. It illustrates how the system has given this nation a practical, prompt, flexible and smoothly working monetary mechanism that has completely transformed its financial experiences. There is little doubt that under the sequence of events pictured in the fore-



available for this purpose—that is the purchase by the Federal Reserve banks of bankers acceptances offered them by dealers and banks, and the buying by the reserve banks, on their own initiative, of United States government securities from the market. The following figures reveal the functioning of these two processes in the present situation:



The four areas of credit

On Sept. 7, 1927, the item of bills bought in open market, that is bankers acceptances from dealers and banks, stood at only \$197,000,000. On Dec. 14 this item had increased to \$381,000,000, an expansion of \$184,000,000.

Also at the September date, the item of United States government securities held by the Federal Reserve banks stood at \$499,000,000. In December it was \$598,000,000, an expansion of \$99,000,000.

These facts mean that the expansion of \$328,000,000 in reserve bank credit required to furnish the added reserves called for by the loss of gold and increase of general credit was provided to the extent of \$283,000,000, or over 86 per cent, by the combined purchases of bills and government securities through the open market operations of the Federal Reserve banks.

Open Market Transactions Relieve

THESE open market transactions operate to relieve member banks of the necessity of improving their reserve position by calling loans or selling securities to realize cash so as to reduce their indebtedness at the Federal Reserve banks. They do so by reason of the fact that, when a Federal Reserve bank buys securities, it pays the selling bank or dealer with a Federal Reserve check, and this check when deposited with a member bank and redeposited by it with the reserve bank increases the member bank's reserve deposit. If the member bank is in debt at the reserve bank, the increase in its reserve is ordinarily allocated in reduction of its indebtedness. Thus the effect of open market purchases by the Federal Reserve banks tends to cause a decline or retard an increase in the volume of direct loans to member banks. If the member bank which receives the Federal Reserve check is not in debt at the reserve bank, it

tries to lend out or invest its surplus funds, and in one way or another they eventually reach some bank which is borrowing. As the

indebtedness of member banks at the reserve bank is diminished, they are able to extend credit more freely, and money rates tend to become easier. By this mechanism stringency in the money market is avoided or eased when a strain develops, either from an enlargement of the volume of credit or a reduction in the amount of gold—or both as in the present case.

It is to be noted that the rediscount of bills originates on the initiative of member banks and tends to make money tighter. In the present episode this has been avoided except to a moderate degree.

The purchase of bankers acceptances from the open market is done by the Federal Reserve banks, not on their own initiative, but in response to offerings of such bills by banks and dealers in need of shifting part of their burden of credit from their own reserves to the credit reserves of the Federal Reserve banks. This tends to ease rather than tighten money and has been employed extensively in the current situation, and the reserve machinery has functioned smoothly in facilitating the operation.

Finally the purchase of United States government securities comes at the initiative of the Federal Reserve banks and represents the policy of the reserve authorities in respect to the money market. Purchases in substantial volume tend to ease money, and the attitude of the authorities in the present episode has so far been favorable to stabilizing the market against the pressure of gold loss and credit expansion. A cessation of such purchases, allowing the market to feel the full effects of these movements, might be interpreted as indicating the belief of the authorities that credit expansion should proceed more cautiously under the circumstances; while a selling of United States government securities by the reserve might be interpreted as indicating a belief that credit expansion should be stopped, or even that there should be contraction, es-

pecially if the selling were reinforced by an advance in the rediscount rate.

An Index that the Credit Burden Has Shifted

AN index of the fact that the burden of the credit structure has been shifted in substantial measure from the banks and the money market to the Federal Reserve banks is written in the course of the latters' combined ratio of total reserves to deposit and note liabilities. On Sept. 7, 1927, this figure stood at 76.4 per cent. It declined every week but one between that date and Dec. 14, when it had fallen to 69.2, a drop of 7.2 points, or over 9 per cent. This figure, long of relative unimportance because of an excess of gold reserves and continued stability in the credit situation, thus again becomes an important indicator on the instrument board of business.

These gold events in the United States have had a counterpart in related developments going on in other nations. The most significant of these events is the increase in gold stocks of central banks in European and other nations which have reestablished gold monetary standards and are now taking advantage of favorable economic conditions to recover physical possession of the metal lost to the United States during the years of unsettlement that followed the war.

The present departure of gold from the United States in a respectable, orderly and dignified manner is in dramatic contrast to the way in which it tumbled into this country at times during recent years. Sometimes it came precipitately and in disarray, as though it had not had time to prepare for the trip. It came in bags, casks, chests, boxes, kegs and cases, in the form of ingots, bars, coins of all nations, gold dust and ore from countries in all parts of the world.

Sometimes it came from the gold stocks of official central banks, which in turn had
(Continued on page 571)

Taking Trust Service to the People

By W. R. MOREHOUSE

Vice-President, Security Trust and Savings Bank, Los Angeles

Here Is a More Effective Plan Than Waiting for People to Come Into the Bank for Trust Services. Talks in Clubs and Other Public Places, Supplemented by Meetings in the Branches. If Details of Follow-up System Used Good Results Assured.

"THERE is no new thing under the sun," says the Bible, but it must be that there are many improvements on the old, for today a certain trust company is successfully getting new business from a source which could not be reached by methods used a year ago.

How to get a large volume of trust business has always been more or less of a hard problem for our trust companies to solve. Booklets, letters and newspaper advertising, while effective to a certain degree, have not reached certain trust business. There isn't any question as to the effectiveness of their appeal in numerous cases, for they have produced much desirable business. However, there are certain persons who, although they become interested, are not persuaded that they should act at once.

Doubtless the principal reason why ordinary methods of securing trust business have not been more effective in certain cases is because to accomplish this it takes a personal appeal supported by logical reasoning, indisputable facts, and a straight-from-the-shoulder statement that it is imperative that action in making a will or trust be not deferred lest it be too late.

As every person familiar with securing wills and trusts knows, it is like treading on sacred ground to broach the question of their estates to persons known only in a casual way, and as to raising the same question with relatives or close friends, there is always the danger that your good intentions may be misunderstood.

Procrastination the Big Obstacle

PERHAPS the greatest obstacle in the way of immediate action is the disposition on the part of nearly every person who is in fair health to procrastinate. Any suggestion that he set his house in order without delay is taken far too lightly. He may read a booklet on the importance of immediately making a will or trust, and it may convince him that he should do so before he dies, but with him it is tomorrow, or next week, or next month, and not today—not now.

What every trust company needs in securing new business is a medium or a plan that will carry on from where the booklet, the letter and the advertisement leaves off. This medium should actually lead the prospect up to the point where he is so thoroughly convinced that he must act that he is ready to have his will or a trust drawn and executed with as little delay as possible.

Although personal solicitation of trust business among individuals here and there has many good points, yet it often falls short for lack of sufficient preliminary work.

It remained for L. H. Roseberry, vice-president of the Security Trust & Savings Bank, Los Angeles, to devise a plan that successfully carries on from the point where ordinary mediums cease to function successfully. Mr. Roseberry is taking his trust service to the people instead of depending entirely on waiting until they come into his office. As the territory which he serves covers 1500 square miles, he has associated with him in this work a half dozen trained representatives.

High Qualification Necessary

THESE young men are about thirty years of age and have previously shown evidences of real fitness for trust work. Some of their qualifications are: a pleasant personality, the ability to converse well and understandingly, legal experience, and a knowledge of trust (and in particular "security") service, and proved salesmanship ability.

Before going out into the community to represent the bank, they are attached to the head office for several months for intensive coaching under the personal direction of Mr. Roseberry, for he believes that the way to get good trust men is to coach them instead of employing outsiders who are more or less unfamiliar with your methods of operation.

As fast as these young men have qualified they have been assigned to certain branches of the Security system. Five to ten branches are assigned to each representative, depending on the size of the branches and the general character of the surrounding community. With his personnel complete, and with his territory divided up among his representatives, Mr. Roseberry's next step is to take the services of his downtown trust department and place them before the people in adjacent and nearby communities.

Clubs Proved the Opening Wedge

THE plan operates as follows: Clubs and business organizations are notified that Mr. Roseberry, who is an authority on the administration of property, is available for addresses before their members. This offer invariably brings in numerous requests; in fact, more than one person can fill, and so

Mr. Roseberry falls back on his assistant trust officers, who fill some of the engagements. Invariably full notice of Mr. Roseberry's appearance on the program of a club appeared in the local paper. The following is an exact copy of an advance notice appearing in a local newspaper:

"Kiwanians in Alhambra to Hear Senator Louis H. Roseberry, L. A. Banker, Here Wednesday."

"Senator Louis H. Roseberry, vice-president and manager of the Security Trust & Savings Bank, will address the members of the Alhambra Kiwanis Club at their weekly meeting at the Alhambra Athletic Club next Wednesday noon.

"Senator Roseberry will address the group on the subject, 'Planning Your Will.' He is the author of many articles on various phases of fiduciary work, and is known as one of the leading authorities of the United States in this highly specialized subject.

"Senator Roseberry is a graduate of Stanford University and was formerly an attorney in Santa Barbara. As a member of the state senate, he gained national recognition as the author of the Workmen's Compensation Act.

"He is a member of the Los Angeles Bar Association and the American Bar Association."

Contrary to the belief of some trust officials, these addresses proved intensely interesting and made quite a hit with those present, especially as they were punctuated with such startling questions as, "If a married man dies without a will or trust, who inherits his property?" Imagine the awakening of interest that would follow in those cases where this question was put before a women's club. It is safe to say that every married woman demanded the answer.

Another question which invariably brought men to their feet for an answer was, "What rights has a wife in community property?"

A subject which always proved of interest was that of insurance trusts.

A statement which caused both men and women seriously to consider the making of a will pointed out that if a person dies without leaving a will or trust, the law steps in and distributes the estate according to an arbitrary scale, regardless of the wishes of the deceased, or the fact that certain loved ones were in greater need than others. And thus by punctuating these addresses with startling statements, interest in these meetings never lagged, but on the other hand increased with every statement.

Addresses Well Received

CONTRARY to the prediction of a few skeptical trust men, these talks (which might, of course, have been dry and uninteresting) proved to be of great interest to nine-tenths of those who heard them. The

(Continued on page 567)

As Cartoonists View Events of the Day



Supplies for His Library.—Powers in the Seattle Post-Intelligencer



"Excuse Me for Buttin' In!"—Alley in the Memphis Commercial Appeal



Breaking Down the Barriers.—Chapin in the Philadelphia Public Ledger



An Unfair Proposal.—Temple in the New Orleans Times Picayune

EDITORIAL

The Falling Income Return

THE bank or trust company with a considerable proportion of its resources invested in securities enters the new year faced with the prospect of a diminishing income return from its bond account. The interest rate fell during 1927. It will decline more in 1928. The operation of the law of supply and demand is as inexorable on capital as it is on commodities. There being more money for investment than the market requires, borrowers can make their own terms. The result is a flood of $4\frac{1}{2}$ per cent bonds by corporations that have been paying from $5\frac{1}{2}$ to 7 per cent for capital accommodations ever since the war ended.

The institutional investor need not purchase these new low coupon securities if he does not like the return that they afford. When, however, the old high rate bonds are called or redeemed before maturity, in order to take advantage of the present situation, it must either accept the new issues, buy others not so good, or let the released capital earn the small rate that the call money market or commercial paper offer. The temptation will be strong to purchase inferior investment goods from the domestic or foreign counters.

It has been easy to obtain a high average yield on bonds ever since the end of the deflation period in 1921. Bond profits have also been realized without much knowledge of actual bond values. The combination of these two factors has placed many banks in a position to distribute extra dividends to their stockholders or build up large reserves. Further appreciation in bond values is probable. It is not yet time to consider what should be done with that still untaken. The investing banker's problem is that of deciding which of the two roads he will travel from now on—that of safety and a very low yield on the new securities he buys, or that of taking a chance on the securities of greater return in order to make his investment account earn as much as in former years.

A \$50,000,000 Guaranty Fund

THERE has been introduced at Washington a bill designed to give "complete protection" to depositors of banks in the Federal Reserve System.

The bill would authorize the appropriation of \$50,000,000 out of the Treasury of the United States to create a depositor's guaranty fund from which money will be drawn to pay depositors in full when a bank fails.

"The scheme of the bill," its sponsor is quoted as saying, "is to use the franchise tax annually paid by the twelve Federal Reserve banks into the Treasury of the United States for the purpose of creating this guaranty fund. As this franchise tax accumulates from year to year the same is to be applied to the reduction of this appropriation until the franchise tax finally absorbs all the appropriation, after which time no part of the funds

of the Treasury will be used for the protection of depositors."

In this proposal there appears to be some of the same allurements which have attached to the guaranty laws in the several states, which though honestly designed to protect depositors, stabilize banking and prevent losses actually promoted waste.

Instead of making for better and safer banking the state guaranty law in several instances has made for carelessness and for poor banking. It has enabled men who never should have been in the banking business to conduct banking operations in violation of banking principles, and has placed the burden of their misdoings upon the safe and conservative bankers.

If the bill now pending in Washington should be enacted into law perhaps its operation would not have the same corroding influence on weak bankers that the guaranty plan has had in those states where it has been tried, and repealed, but any measure that removes from the shoulders of stockholders, directors and officers full responsibility to the bank's customers may well be considered in the light of the experience of Oklahoma, Texas and the state of Washington, where the guaranty law was tried and failed.

Trading In Bank Stocks

NOT only banks themselves but business in general has too much at stake to be unmindful of the dangers attendant upon the growing practice of speculating in bank stocks, especially in these times of easy money and the ever-present habit of investors to expect the impossible from their investments.

Bank stocks as a whole are prime investments, not subject to violent fluctuations, and well removed from the variations common to securities listed on the big exchange. Most of the trading in them has been done over the counter heretofore, and there has not been the market expectation of mercurial ascents and descents.

But now prudent bankers, noting a sudden speculative interest in bank stocks listed on the New York Stock Exchange, have taken into consideration the possibilities of this speculative interest, for if bank stocks become the playthings of speculators it is not unreasonable to foresee that there will attend this speculation maneuvers and gossip not likely to add to the stability and well-being of the business. A big drop in the price of an industrial or a rail stock is all in the day's business insofar as the general public is concerned, but will the public be as placid and unconcerned over a big drop in the price of bank stocks? Much speculation makes for high prices and the recession from an unwarrantedly high price is always inevitable, and often alarming in its violence.

The whispering and gossiping, the word conjuring and all the other paraphernalia which goes with the speculative world will not add to the confidence of the public in banking.

26,000 Individual Trusts

IN his annual report the Comptroller of the Currency discusses the reasons which impelled the authors of the Federal Reserve Act to so broaden the powers of the national banks that they could assume trust operations. "They saw," he says, "the advantages to the public of making available as trustees, executors, administrators, guardians of estates, and in other fiduciary capacities the one unified banking system in the United States highly standardized in its practice and regularly supervised by the Federal government. They recognized in national banks an agency through which trust facilities could be offered in practically every community in the nation.

"How far the national banks have penetrated the trust field is indicated by the fact that the assets of the individual trusts being administered by these banks now amount to more than \$1,000,000,000, while corporate trusts amounting to more than \$2,500,000,000 are being handled. More than 26,000 individual trusts were being administered by national banks during the past year. The most impressive part of their progress is that the growth has been recorded largely during the past few years. The number of national banks obtaining the right to exercise trust powers is increasing at the rate of more than 200 banks a year."

The rapid assumption of fiduciary powers—at the rate of 200 a year—is a pretty sure indication that the field of trust operations is being developed at a greater pace than ever before. The banks upon which this additional authority is conferred are not taking business away from other institutions but are developing the potentialities of their various districts—a service which makes for economy, and intelligence of administration.

Charters of Federal Reserve Banks

IF in the new alignment in the Senate and the House there is launched an attack on that provision of the McFadden law which extends the charters of the Federal Reserve banks for an indefinite period, as it has been suggested that there may be, someone will have misjudged public opinion.

We do not think that the general public will look with favor upon any meddling with the Federal Reserve banks, because the System has become an integral part of the business structure of the nation and any interference with the organic law under which it operates will run back quickly to individual industries and enterprises and pocket books.

From day to day we hear complaint about the average man being indifferent to public matters because he is so engrossed in his own affairs he has no time for the ordinary duties of citizenship; but in matters relating to the Federal Reserve System the average business man may have a surprising lot of time and of energy to devote to public service because in thirteen years of the Federal Reserve System he has realized its meaning to his own business. He believes the System is a big factor in the general prosperity the country has so long enjoyed. He is pretty sure to be impatient with anything likely to retard prosperity and likely to make the customers, upon whom his own prosperity depends, cautious.

In discussing the possibility of the Federal Reserve legislation in reference to the extension of the charters a newspaper refers to the "surreptitious" insertion of the charter provision in the McFadden bill. But the charter extension provision took its orderly course

the same as other provisions, and had its advance publicity in all parts of the country, its advance printing in official documents, and the readings required by the rules of the House and the Senate.

The charter extension provision of the McFadden bill was one provision on which the sentiment of the nation seemed to be as nearly unanimous as it is possible to get unanimity of opinion on any one thing in a nation of 120,000,000 people.

The Phenomenon of Gold

ONE of the most interesting economic phenomena of modern times is that commonly referred to as "the gold movement."

The gold which came rushing into this country in such volume as to cause concern in some minds, now is flowing back to Europe and elsewhere, which means that other countries are actually getting their economic houses in order.

That means that business may be transacted with them again on a stable and understandable basis; that in international transactions a given unit of currency is not likely to suffer violent changes of value overnight.

American business long has felt it had a direct interest in bringing about the restoration of sound currencies and old-time business confidence in foreign countries, but now that the restoration is manifesting itself in a somewhat spectacular way, America cannot look upon the redistribution of the world's supply of gold as a thing apart.

So important an operation as the shifting of a considerable part of the world's supply of gold from one country to others, cannot well be accomplished without some temporary and transitory reactions interesting, though not necessarily detrimental, to business.

W. Randolph Burgess, Assistant Federal Reserve Agent, Federal Reserve Bank of New York, in his book, "*The Reserve Banks and the Money Market*," says:

"Fortunately, bankers and business men have used the incoming gold mainly to pay debts rather than to contract fresh ones, and the slate is clean. The machinery of the Federal Reserve System has provided a way for storing the gold ready for the use of other nations when they have reached sufficient stability to require it. When gold exports begin, the Reserve mechanism will again be useful, for member banks may secure the gold for export by borrowing at the Reserve Banks, or the Reserve Banks may assume the burden by increasing their holdings of securities. A cushion of Federal Reserve credit may thus protect the credit structure from the direct impact of exports, just as in the past few years this cushion has shielded it from the full force of gold imports."

Elsewhere in this issue there is the first of a series of articles discussing the phenomenon of the repatriation of gold, and indicating how the movement may have its effect here at home.

ON another page there is a brief report by W. A. Hicks, Little Rock, of the emergency organization formed in Arkansas to furnish credit for those who suffered from the great floods of last spring; but it is an impressive report because practically all loans have been paid as they mature, a remarkable record considering the extraordinary disadvantages under which the borrowers have labored.

The Farmer's Ills and Some Remedies

A Survey by Land Grant College Experts Shows That In Most Sections of the Country Agriculture Is Still in a Bad Way. Development of More Land for Farming Opposed. Lightening of Tax Burden on Farmer Imperative. Tariff Changes Indicated.

AGRICULTURE in most parts of the country is still in an unsatisfactory condition, according to a report submitted at the annual convention in Chicago of the Association of Land Grant Colleges and Universities by a special committee named to make a nationwide survey of the situation.

The committee, composed of nine leaders in agricultural college work, found that some aspects of the agricultural situation were slowly righting themselves, but the report said, "If the industry is to be placed on a satisfactory basis, many further changes and adjustments must be made."

Recurring surpluses of staple agricultural products were found to represent one of the severe handicaps under which agriculture is operating. On this point the committee said: "Agricultural surpluses should yield to control, provided the basis of attack includes: Adjustments in acreages and numbers of livestock; withholding new land from cultivation until there is a need for it; greater use of storage facilities; sound marketing organization and unified action in handling such parts of the production of a commodity as may prove burdensome. The movement toward stabilization and control may be hastened by favorable and sound types of legislation."

Reclamation Plans Opposed

THE committee found no need at present to develop more land for agricultural use, but recommended a far-sighted land policy which would help to safeguard established agriculture and at the same time would preserve the potential resources of agricultural land for future needs. Federal and state governments, it was suggested, should consider the advisability of acquiring privately owned land of low productivity and using it for forestry and other purposes.

New reclamation projects of any kind were opposed by the committee, which held that no such step should be taken for a number of years. "If the policy of Federal reclamation is continued," the report said, "the use of interest-free Federal funds in promoting reclamation projects should be abandoned. It has been urged that the Federal government extend its reclamation activities to drainage and clearing in the humid areas, but such activity is neither warranted nor necessary at the present time.

Taxes a Heavy Burden

THE survey showed that taxes in recent years have been a tremendous burden to agriculture. In many cases they have practically absorbed farm earnings in years of low returns. "From the standpoint of benefits received," the report said, "as well as from the standpoint of ability to pay, the taxes paid by farmers are too high in relation to taxes paid by the rest of the population."

The committee recommended, as a remedy for this condition, that programs for equalizing the tax burden should be formulated by each state, and that some of the burden now being borne by farm property be shifted to some other sources of income in the community.

The committee stressed the need for early readjustment of freight rates on agricultural products and urged the careful study of the possible effects of the construction of deep waterways on the agricultural interests of interior regions so that if their development should be undertaken, farmers may make such adjustments as will give them the greatest benefits.

The committee dealt with the question of agricultural financing as follows:

"The needs for farm mortgage credit are now being met with reasonable satisfaction, but several problems concerning short-term and intermediate credit need attention.

"The methods by which the Federal intermediate credit banks may best be utilized have not as yet been satisfactorily determined. If the system is to function effectively in the field of production credit, sound methods of organizing and operating credit corporations must be developed. Credit from these institutions should be made available to cooperative buying associations as well as to cooperative selling associations.

"Merchant credit is still being used to an undesirable extent. In order to transfer more of the credit to banks, a thorough educational campaign among merchants, bankers, and farmers is necessary.

"The Federal intermediate credit banks, or some other agency, should be empowered to make capital loans on the amortization plan to cooperative buying and selling associations."

The Farm Labor Problem

THE problem of obtaining an adequate supply of farm labor was found to be acute in many sections where agriculture is specialized and where demand for labor is

intermittent. Some solution other than a modification of the present immigration quota law was suggested by the committee, which added:

"It would seem inconsistent if the agricultural interests called for a relaxation in the immigration restrictions to admit additional agricultural labor while the same interests complained of excessive agricultural production."

The committee held that careful discrimination should be made between tariff duties which result in higher prices to producers of the commodities on which they are levied and those which bring little or no increase in returns. "Rates on agricultural products should be on a level comparable with the levels of those that are effective on products of other industries," the report said.

Rural Education

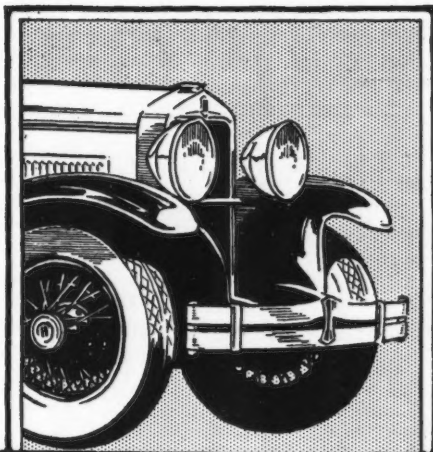
THE need of greater cooperation among farmers and the importance of research and education to rural people were stressed by the committee in the concluding paragraphs of its report:

"Farmers and their children should have educational opportunities better than those which are now available to many," the report said. "Better education will bring more rapidly the application of the results of research to farming practice."

The Association of Land Grant Colleges and Universities is composed of those higher institutions of learning which are supported wholly or in part by income from public lands. The committee which made the agricultural survey was composed of Thomas Cooper, chairman, dean and director, College of Agriculture, University of Kentucky; F. W. Peck, secretary, director of Extension, College of Agriculture, University of Minnesota; Alfred Atkinson, president, Montana State College; L. N. Duncan, director of Agricultural Extension, Alabama Polytechnic Institute; F. D. Farrell, president, Kansas State Agricultural College; Charles A. Lory, president, Colorado Agricultural College; H. A. Morgan, president, University of Tennessee; H. W. Mumford, dean and director, College of Agriculture, University of Illinois; G. F. Warren, head, Department Agricultural Economics and Farm Management, Cornell University.

The committee members were assisted in the survey by H. R. Tolley, head of the Division of Farm Management and Costs of the United States Department of Agriculture.

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Philadelphia

Building a Better Banking Staff

By HUGH L. CLARY

Assistant Vice-President, Bank of Italy National Trust & Savings Association

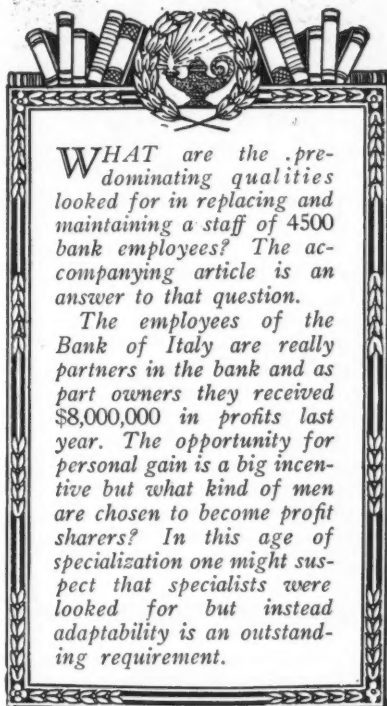
Three Qualities Which Are Sought for in Selecting Personnel—Ability to Learn. Soundness and Flexibility. Endeavor to Have “All-Purpose” Men Who Can Be Used Anywhere Need Arises. The Man Who Can Lose Himself in His Work.

NO article could properly describe what the Bank of Italy is doing toward building a better banking staff without paying tribute in the first paragraph to its founder, A. P. Giannini. Always he has recognized personnel as one of the vital functions of management. The selection, training and development of his staff has always been his chief concern. He has always considered the personnel department a major department, as evidenced by the fact that for many years it was administered by his son, L. M. Giannini, now executive vice-president of Bancitaly Corporation, and that the responsible head has always ranked at least as a vice-president.

The personnel department has had a much greater problem than that of merely maintaining the staff at a definite level. It has had to build an organization from 2,000 to 4,500 employees in three years. The story of how well this was done can be found in the events of the early part of 1927 when the bank doubled itself almost overnight. In spite of the tremendous growth that had taken place to that date, and the consequent fact that the majority of the staff had been employed a comparatively short period of time, the staff had attained such a degree of efficiency and the morale had been built up to such a point that the bank was able to take over and incorporate into its system 142 independent banks operating, in many cases, along lines radically different from its own, and at almost the same time to man more than 50 new branches with efficient managers and clerks. Nearly 500 well-trained Bank of Italy men were supplied in a few short weeks without the slightest diminution in the character of the bank's service in the places from which they were taken and with uniform success in the places to which they were sent.

The Desire for Success

THE essential feature of the program is the development of an overpowering desire for the success of the bank. The executives of the bank have sought to build up this whole-hearted desire for the success of the bank in a variety of ways—by instant recognition of ability, by rapid promotion of the exceptionally able, by encouraging suggestions from the rank and file, by educational work, and most of all by their compensation and profit-sharing plan. This plan takes employees into the organization and makes them a part of it in a way it is hard for outsiders to understand. It is not the purpose of this article



to describe the plan. It has been described fully many times before. The important thing in a profit-sharing plan, in any case, is not how the profits are given, but, are they given and how much. The Bank of Italy plan has been in operation three years, during which time more than \$8,000,000 has been distributed to employees. Is it any wonder that the bank commands an unusual loyalty and that all employees work for the success of an organization in which they are partners, and whose continued success, as shown by the last three years, will mean, without exaggeration, moderate wealth for all and riches for many? Yet in spite of the tremendous distribution to employees, dividends have been doubled, the value of the stock increased tremendously, and stockholders are better off than ever before. Some of the more calculating executives who read this may say that this is a large sum to distribute compared with any good the bank might get out of it. Yet more than this has been paid for assets of less value than the loyal and unified organization the bank is in the process of building up. An organization of several thousand highly competent individuals, wholly de-

voted to a common cause, presents unlimited future possibilities. Liberality and magnitude are the essence of the plan's success.

Other features of the bank's personnel program are its employment methods, training program, and personal reporting system. Each one of these is a subject too large to be treated here. One common thread, however, runs through the whole—in every phase the department gets “down to cases.” The problem is not approached in the mass but in detail. Personnel is a matter of dealing with individuals, one at a time, carefully, thoroughly, and with insight and understanding. I do not wish to give the impression that the work is not organized. It is, indeed, highly organized—the object of the organization, however, is to give systematic attention to each individual and to his peculiar relation to the bank as a whole.

These Three Qualities

FIRST and foremost among the qualities we seek is “ability to learn.” Our work is rapidly becoming more and more peculiar to ourselves, and we find it better in the long run to train people to our own methods than to depend upon training acquired elsewhere. Our organization is so large and the requirements of our positions so varied that if a man has the ability to learn we always have a good place for him.

Second I would place “accuracy,” or perhaps a better word is “soundness.” Everything about our bank must be right—not nearly right. There is no room in a bank for errors, nor for those mental inaccuracies that lead to vague and hazy ideas and “half-baked” conclusions. A banker must certainly be accurate and fundamentally sound.

Third I would place “flexibility.” We do not like to employ specialists, except for a few very limited positions. What we want is varied capabilities. Our needs are so diverse and our growth so rapid that we never know what demands are going to be placed on the organization. We like “all-purpose” men—men that can be used when the need arises and where it arises. We pride ourselves that whatever we may be called on to do we have the men who can do it. It is this feature that has made our rapid growth possible. This should not be taken to mean that we do not specialize our staff along definite lines. We want men to specialize to the limit when we have found the proper niche for them. We prefer, however, to have them find their specialty

(Continued on page 549)

Germany's Rocky Financial Road

Her Chief Troubles Are Unwarranted, and Sometimes Dishonest, Expenditures by State and Municipal Authorities and a Lack of Sense of Responsibility Which Leads Private Interests to Contract Foreign Loans at Expense of the Reich's Currency.

THE higher Germany's annual liability to foreign countries for interest and amortization of loans, for reparations payments in cash and for the financing of adverse trade balances, the more threatening does the situation become for her Reichsbank, and for the currency supply of the German nation. It is because the Reichsbank realizes its responsibility for the maintenance of an adequate circulation of stable media of payment, that it cannot allow everyone who pleases to contribute to the increase in foreign commitments. The question therefore arises: At what point should the Reichsbank intervene against foreign borrowing?

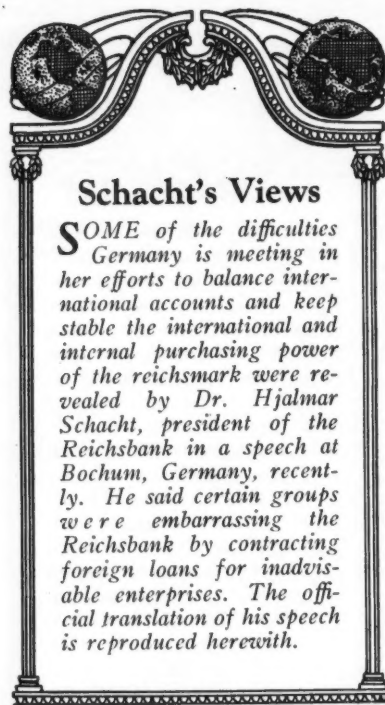
Public enterprise in Germany pleads the fact that, like private enterprise, it is directly responsible for economic functions, especially for the production of light and power. Therefore it claims the same freedom in the issue of foreign loans as has hitherto been granted to private enterprise. This attitude originated in that mentality which regards the state as a personality, existing independently of the individual citizen, whereas actually the state is nothing more than the collective body of citizens.

This false conception of the state is a remnant of pre-republican times when the individual citizen regarded himself as the foe of authority. Today, when public enterprise and the public authorities are identified with citizens as a whole, it is obvious that public enterprise must take the lead in giving practical effect to the principle of the maintenance of the welfare of the entire state.

Public Enterprises

I AM not going into the question whether the undertakings run by the German authorities are worked more economically and more advantageously to society than the undertakings of private enterprise, although it would be a very good thing to examine the competition of public enterprises against private persons, as well as the profit-earning capacity of public and private enterprise, and also the working of public monopolies, which frequently are nothing more than a form of tariff policy veiling taxation. Instead I would point out that so far as foreign borrowing is concerned, public enterprise cannot be considered as a problem by itself, because it represents only one side of the public financial administration. The financial position of a public enterprise taking up foreign loans must therefore not be examined separately, but also in relation to the total budget of the public body.

The indebtedness of a public undertaking



Schacht's Views

SOME of the difficulties Germany is meeting in her efforts to balance international accounts and keep stable the international and internal purchasing power of the reichsmark were revealed by Dr. Hjalmar Schacht, president of the Reichsbank in a speech at Bochum, Germany, recently. He said certain groups were embarrassing the Reichsbank by contracting foreign loans for inadvisable enterprises. The official translation of his speech is reproduced herewith.

differs fundamentally from the indebtedness of a private undertaking through the fact that the private undertaking risks only its own head, whereas the administrators of a public undertaking risk the heads of the taxpayers. A private undertaking will minutely examine the question of profit-making in connection with any loan it contracts; but a public undertaking is governed by quite different considerations, more especially by considerations of a general administrative nature. The warning to our public authorities to be modest in their foreign borrowings is therefore particularly well justified.

Division of Foreign Loans

OF Germany's approximate 5,500,000,000 marks of long-term foreign loans, contracted so far, public enterprise is responsible for 2,500,000,000 marks, and private enterprise for 2,500,000,000 marks, while 500,000,000 marks represents semi-public loans such as that of the Rentenbank-Credit Institution. Of the 2,500,000,000 marks of foreign loans of public character, the Reich is responsible for 900,000,000, a bare 300,000,000 represents guaranteed state or municipal loans, and the balance of 1,300,000,000 marks is about equally divided between the states on the one hand and the

municipalities and associations of municipalities on the other. It is, of course, not the business of the Reichsbank to meddle with public financial policy. But if the currency is endangered by a misguided public financial policy it is the duty of the Reichsbank to call attention to the fact. For this reason the Reichsbank has repeatedly warned the public authorities to restrict expenditure, and this has been done not only recently but ever since the mark stabilization.

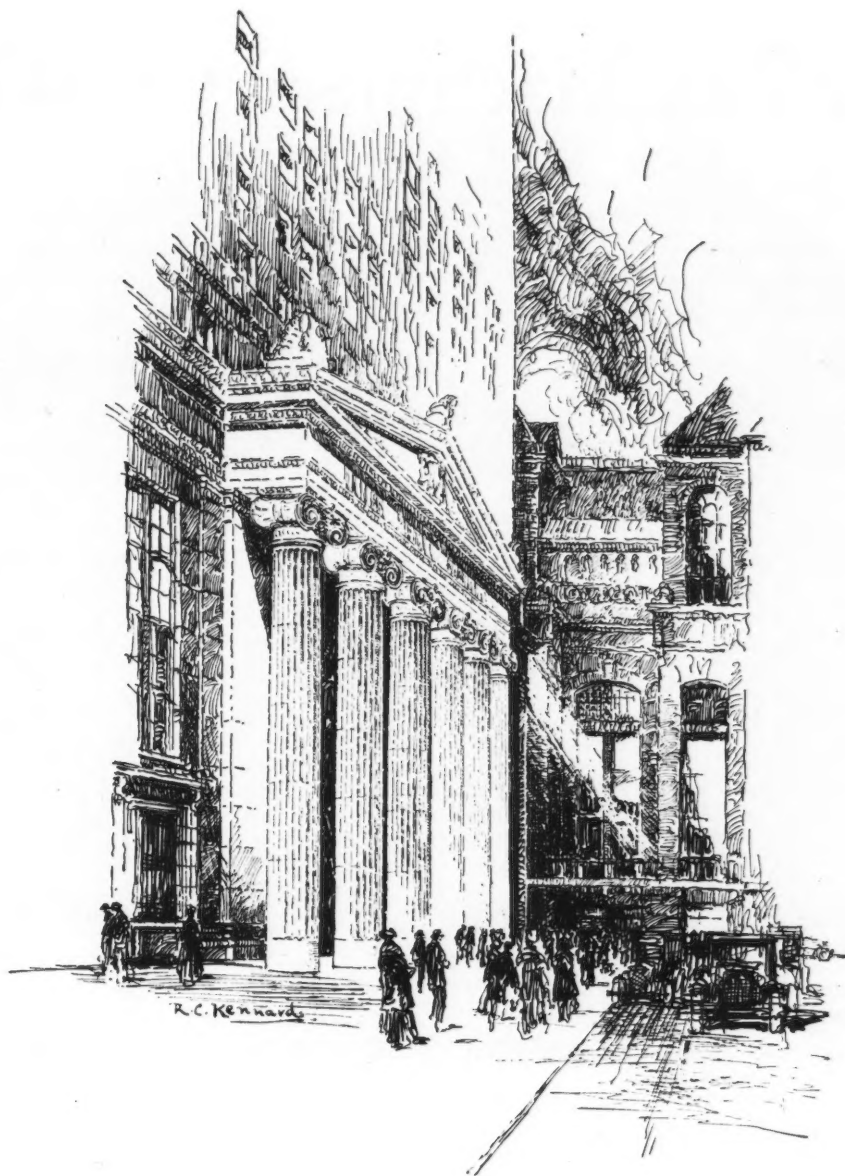
In February, 1924 in Königsberg I emphasized the necessity of reducing taxation in the interests of the nation's economy. In October, 1924 I pointed out to the Central Committee of the Reichsbank that expenditure for social relief by the municipalities ought not to be increased beyond the limits of what the national savings allow, and I urged that measures should be taken by the central authorities with a view to effective control of the total indebtedness of public bodies, and in particular with regard to foreign borrowing. On my return from my first trip to America, at the opening ceremony of the new Reichsbank building in Stuttgart in December, 1925, I insisted that municipal projects and many state projects ought to be cut down. I mention these earlier instances only, because the more recent efforts of the Reichsbank are in the public memory.

In opposing this policy the municipalities repeatedly contended that all their foreign loans were contracted for genuinely essential, that is so-called productive, purposes, and that the expenditure on apparent luxuries—including the famous stadia—comprised only an infinitesimal part of the total expenditure. But here I reply that if the municipalities had been content to forego expenditure on these luxuries or non-urgent aims, it would have very probably proved unnecessary for them to contract a single loan abroad.

Survey of Expenditures

THE Reichsbank is in possession of only incomplete data on municipal finance, but the data are sufficient to show that the sums expended by the municipalities on the erection of stadia, swimming-baths, open-air spaces, parks, the purchase of sites and farms, exhibition buildings, meeting-halls, hotels, office buildings, planetariums, aerodromes, theaters and museums, and also expended on granting credit, acquiring interests in private enterprises, and so on, add up to a total which is not far short of the total amount of their foreign loans. The prevailing inaccurate impression as to the amount of this expenditure is due to the

(Continued on page 564)



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Our Tax Machinery Creaking

By V. G. IDEN

Swamped by Increasing Work and With Its Best Employees Leaving for Jobs that Pay Better, the Internal Revenue Bureau Threatens to Crack Under the Strain. Congress Is Expected to Act Early On Complete Reorganization Plan For the Bureau.

A REORGANIZATION of the Internal Revenue Bureau is impending. If Congress agrees, the reorganization will be complete. To one who is cognizant of the conditions as they have existed and still exist today, the need for this occasions no surprise. An organization which has had work thrown at it as has the Internal Revenue Bureau is pretty apt to crack under the strain.

The constitutional amendment permitting the Federal government to levy an income tax was made in 1913. The first law was enacted Oct. 3, 1913, and was intended merely to supplement the customs imposts. No one realized at the time that internal revenues would shortly constitute the bulk of the receipts of the government.

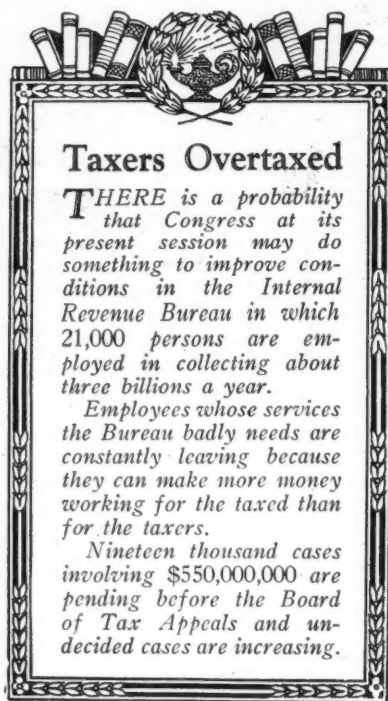
The outbreak of war in Europe, however, brought on the emergency, and another internal revenue law was enacted on Oct. 22, 1914. Then in rapid succession additions to or revisions of the law were enacted on Sept. 8, 1916, March 3, 1917, and Oct. 3, 1917. The latter enactment effected a complete reorganization of the Bureau, as it was not possible before then to give much attention to the form of the law nor the details of its application.

Another law was pending when the Armistice was signed, but final approval of it was withheld until Feb. 24, 1919. It was called the Act of 1918, notwithstanding. The three enactments since—those of 1921, 1924 and 1926—were drawn with the object of reducing the tax burden. So, within a period of less than fourteen years, nine laws had been enacted, the one revising the other or otherwise radically modifying the previous statutes.

How Cost Has Increased

IN 1913 the cost of maintaining the Internal Revenue Bureau amounted to approximately \$12,500,000. Today the Prohibition Unit alone costs that much, and the Internal Revenue Bureau costs approximately \$33,600,000 annually in addition. Of course it would not be entirely fair to count the Prohibition Unit within the internal revenue activities these days because no revenue in particular is raised from the vending of alcoholic beverages. But even with that counted out, the cost of collecting the internal revenues now is probably three times what it was during the pre-war days.

The mere fact that the internal revenue receipts, owing to the income tax law, are now far in excess of anything enjoyed in the past, is no valid excuse, it is contended, for the growth in the cost of the Bureau. In 1913 the internal revenue receipts amount-



Taxers Overtaxed

THERE is a probability that Congress at its present session may do something to improve conditions in the Internal Revenue Bureau in which 21,000 persons are employed in collecting about three billions a year.

Employees whose services the Bureau badly needs are constantly leaving because they can make more money working for the taxed than for the taxers.

Nineteen thousand cases involving \$550,000,000 are pending before the Board of Tax Appeals and undecided cases are increasing.

ed to something less than \$344,500,000, whereas the revenues during the fiscal year ended June 30, 1927, amounted to more than \$2,865,600,000, so that, while the cost of the Bureau has tripled, the receipts are nine times greater.

The \$12,500,000 cost in 1913 had increased to more than \$41,900,000 in 1922. At the end of 1913, however, the Bureau was employing only 4000 persons, including both the Washington and the field forces. By the end of 1922 the number had increased to 21,388, of which 7275 persons were in the Washington office. The figures of 1922 include the staff found necessary for the enforcement of prohibition, for which alone the expenses that year were nearly \$5,000,000. Of course prohibition enforcement costs much more than that today, some \$12,000,000 or \$13,000,000, but the Prohibition Unit is a separate entity and its expenses are no longer included in those of the Bureau of Internal Revenue.

An actuary might be able to show from these figures that, despite the fact the revenue collections are nine times larger, the unit cost of collecting those revenues has been cut by about one-half. But perhaps

from the much larger returns it would seem that a better result is possible. And, of course, a better result would be possible were the conditions as ideal as those in a large, well-managed corporation.

The government, however, is not run like a corporation and never will be. Ideal conditions can be only approximated as long as politics remain politics and as long as the operation of the Bureau is subjected to the whims of Congress. The defects in the present system have upon numerous instances been called to the attention of the public, and not infrequently the more pressing reforms have been urged upon Congress.

Taxes Not Required By Law

SOMETIMES it takes an emergency to bring about the proper response, and sometimes it is a scandal. In the case of the Internal Revenue Bureau it has been a little of both. The World War, of course, constituted the emergency. Later, when, by reason of impotency, the Bureau found itself swamped with work, gossip spread regarding the contingent fees alleged to have been earned by Bureau hangers-on. Many taxpayers had made returns and paid taxes which were not actually required by law. The complex statutes gave rise to such cases, and some of the underpaid clerks of the Bureau were alleged to have fallen victims to the lure of easy earnings and supplied evidence in tax cases inimical to the government's interests.

Without that experience it is doubtful whether Congress would have been so willing to consider the needs of the Bureau and to authorize the much-needed reforms. But while it was made impossible for government employees to utilize on the outside the information they acquired in the performance of duty, the changes did not correct the trouble entirely. The Bureau, instead, merely became the training school for attorneys, actuaries and others who later set out to practice tax work.

Since June, 1924, fifty-two attorneys have resigned from the office of the General Counsel of the Bureau, and 4727 professional and technical officials have resigned from the Income Tax Unit of the Bureau. Some of these men leaving the service have engaged in private practice and have made incomes many times larger than they received from the government.

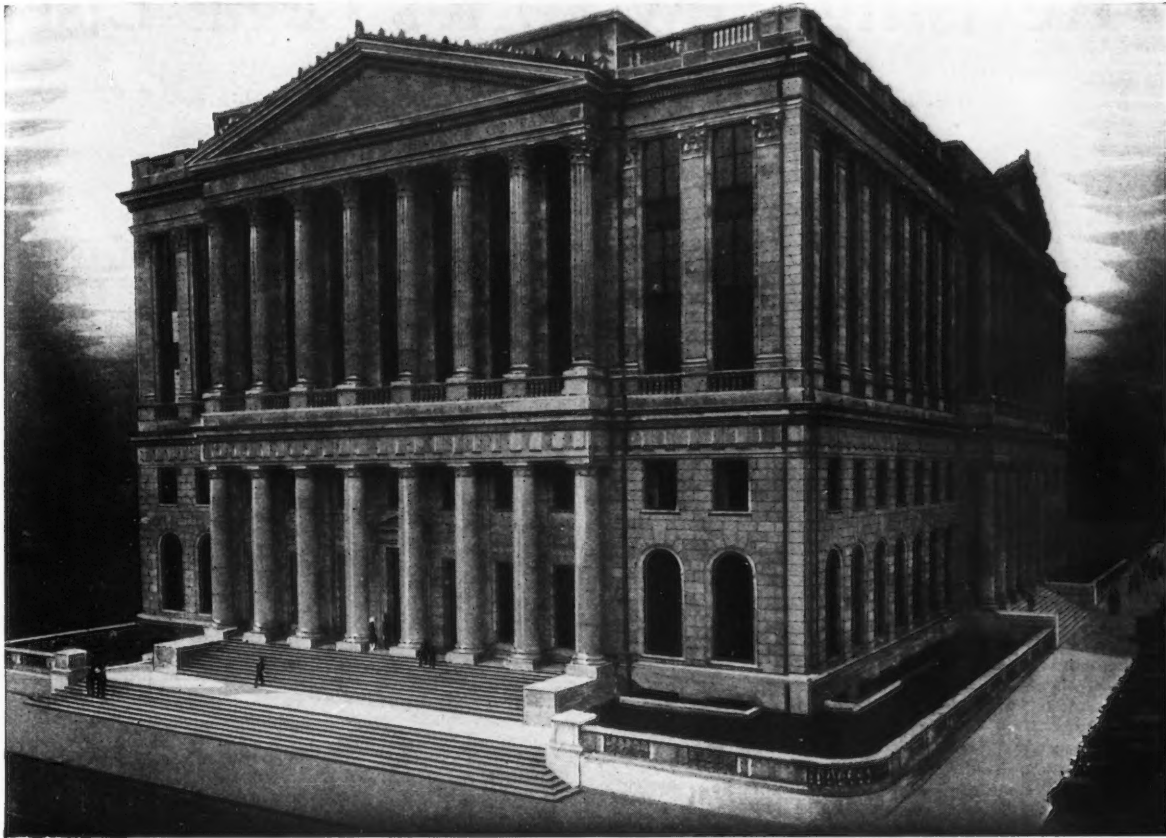
Perhaps this condition is not one for which many will blame the ex-employees, for their only desire was to better themselves. Yet these employees have taken with them a certain amount of fundamental knowl-

(Continued on page 581)

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Revising New York's Legal List

By DARWIN R. JAMES

President, The East River Savings Bank, New York City; Chairman of the Legislative Committee of the Savings Bank Association of New York

Supply of Authorized Investments Has Not Expanded in Keeping with Demand. Present Make-Up of Legal List Prejudices Interests of the Class Most in Need of Financial Leadership. A Modernized Legal List Will Benefit Savings Bank Depositors.

THAT the past ten years have seen vast changes in American investment opportunities is one of the commonplaces of current financial observation. The expansion in the scope of investments has been little short of prodigious, and there has been a marked readjustment in the relative ratings generally accorded to various groups of securities. These facts alone would have rendered imperative, sooner or later, a thorough liberalization and modernization of New York's official criterion of security values as contained in the law defining securities eligible for savings banks and trustees.

The movement for reform, however, is not based merely on the obvious shortcomings of the law. Those shortcomings are imposing actual hardships on savings bank depositors and beneficiaries of trust funds which cry for prompt remedy. As time passes, those hardships are growing more acute. Keeping step with the great forward movement in our nation's wealth, the increase in volume of savings bank deposits and trust funds in New York State has been steady and rapid. Those funds are constantly pressing for investment, and they are finding the arbitrary, antiquated shackles of the legal list law exceedingly irksome. The supply of authorized investments has not expanded in keeping with the demand, and the competition for "legals" has produced an artificially high price level for them, reducing still further a yield that would already be low. The make-up of the legal list prejudices seriously the interests of the very class of persons who most need wise and sensible leadership in matters of finance. The beneficiaries of trust funds and the depositors in savings banks are entitled to the highest yield on their funds that is consonant with safety, and the efforts to revise the legal list law are based on that fundamental premise.

Efforts for legislative reform of the legal list are not new. The matter has been discussed for upward of ten years with increasing vehemence as the need has gradually become increasingly acute. That no comprehensive revision has yet been effected is, of course, to be deplored, but the delay has at least given an opportunity for opinion on this highly technical matter to formulate itself. All history shows that sound legislation is the product, rather than the precursor, of matured opinion, and we are today in a better position than ever before to recommend changes that will stand the closest scrutiny.

Equipment Certificates First

THE Savings Bank Association did not move seriously in this matter until three years ago, when its legislative committee began a study of the subject. At first attention was directed exclusively to the merits of equipment trust certificates, and of certain bonds of gas, electric, telephone and telegraph companies. The savings bankers called in for consultation the representatives of trust companies, which in New York State are organized in two bodies, the Fiduciary Association of New York, and the Fiduciary Association of Buffalo. Throughout the preparation of the needed bills they have given active support and helpful suggestions.

Bills covering utility bonds and equipment trust certificates were introduced at the legislative session of 1926. They were the product of the combined efforts of committees representing savings banks, trust companies, and investment bankers. After hearings had been held, the measures passed successfully through the lower chamber, only to be defeated in the Senate during the closing days of the session. The same bills, in substance, were reintroduced at last year's session, and again met a similar fate. The unfavorable action of New York's lawmakers on this matter stands in contrast to the attitude of eleven other states, where measures with the same object have been enacted into law. According to best financial opinion, the New York bills excel the laws of the other states in the care and conservatism with which they have been drawn.

Two years ago the Savings Bank Association suggested the advisability of revising also the provisions of the existing legal list law as it affects municipal obligations. No measure was introduced at that session, however, though subsequently attorneys representing certain cities in other states caused to be introduced a bill that would have protected the legal position of those cities. That bill met defeat. At last year's session a general measure covering municipals was introduced, but when its defeat became certain, a moratorium measure was substituted which became law and has further complicated the situation so far as municipal bonds are concerned.

Finally impressed with the crying need for a general survey of the subject, the legislature last year, in addition to enacting the moratorium bill for municipals, created a joint committee charged with formulating recommendations for the next session. Its chairman is Nelson W. Cheney, Assem-

blyman, and the ranking member from the Upper Chamber is Senator William W. Campbell. The other members are Senators John J. Dunnigan and Leon F. Wheatley, and Assemblyman James R. Robinson, Arthur T. Pammenter, and Irwin Steingut. In November this committee held two public hearings at the Bar Association in New York, listening to spokesmen for savings banks, trust companies, law firms handling estates in trust, investment bankers, and municipalities desirous of assuring themselves of a place on the legal list.

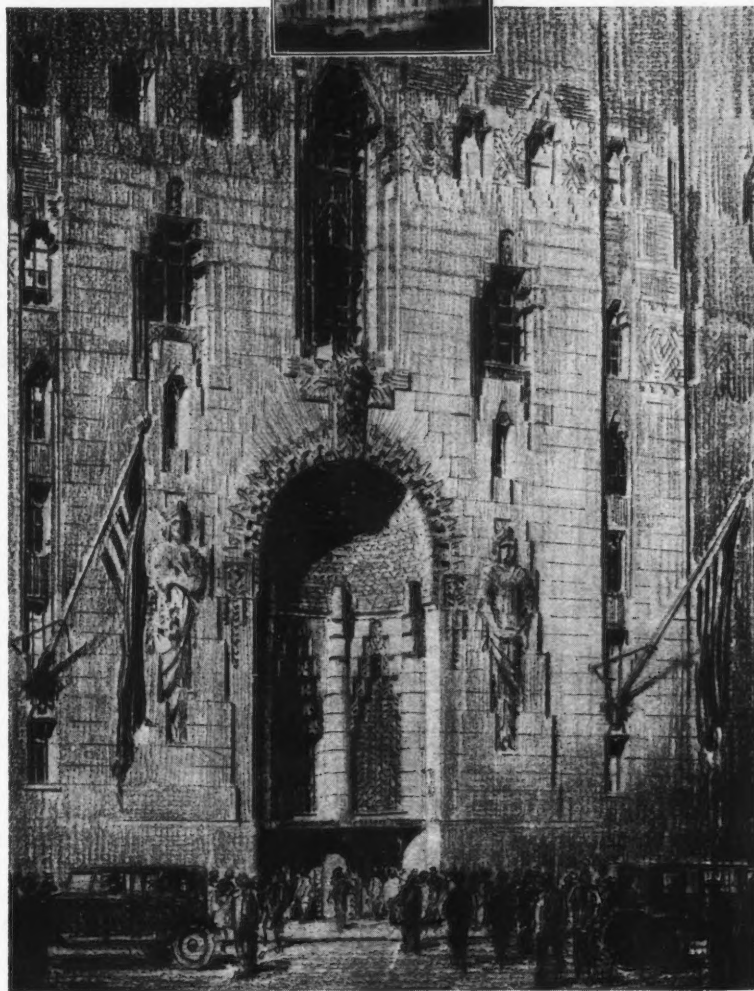
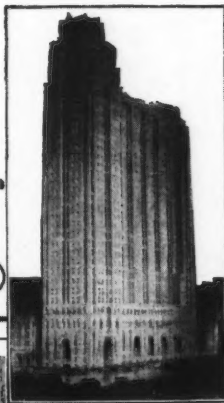
A Modernized Legal List

AT the second of these hearings the legislative committee of the Savings Bank Association laid before the lawmakers a series of formal recommendations for a revised legal list law. On the committee's request, we have since incorporated those recommendations in the legal form suitable for enactment into law. This highly technical task has been carried on with the aid of four committees, handling respectively municipals, equipment trust certificates, utility obligations, and railroad bonds. On those committees we have enlisted the voluntary services of lawyers, investment bankers, savings bankers, and representatives of national banks and trust companies.

The work done by these committees has been enormous. It is no light task to phrase general laws that will constitute iron-riveted definitions of sound securities. Each word and each phrase must be weighed in all its possible applications; each suggested variation requires anew a painstaking review of the investment field, to determine precisely what bonds it might affect. Investment bankers and lawyers have generously contributed of their time and abilities to this task.

A modernized legal list will benefit primarily depositors in savings banks and beneficiaries of trust funds; it will also benefit in a lesser degree the borrowers, municipal and corporate, who will win a place on the list through the changes. Instead of meaning additional profit to bankers, it will in the long run mean lower underwriting fees, because, as the established rating of securities rises, the margin of profit attaching to their creation and distribution gradually shrinks. Only in the sense that an intelligent legal list law reflects credit on the banking intelligence of the community, do bankers find advantage in its enactment.

A detailed account of the program for
(Continued on page 554)



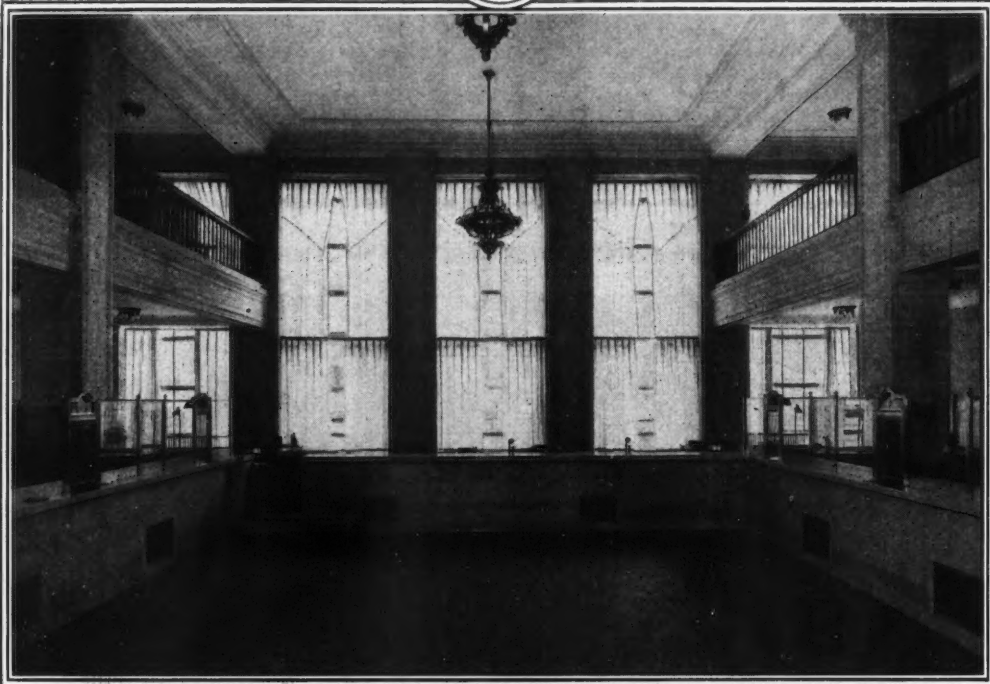
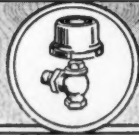
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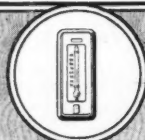
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Profits in the Sugar Industry

By D. RICHARD YOUNG

A Marked Advance. Of 17 Companies Operated at a Loss in 1926, Seven This Year Made a Profit. Twenty-four Companies Which Combined Showed a Loss of \$6,454,000 in 1926 This Year Made Profits of \$11,288,000. The World Crop Increases

THE annual reports of the sugar companies that have been issued during the past several weeks make quite good reading for stockholders and bankers. They indicate a more satisfactory condition than for some time past and show that the industry is surely, though slowly, working out of the difficulties in which it has operated for several years back.

Most sugar producing companies end their fiscal years from June to September so that the majority of the 1927 reports are now available, and this is the first industrial group on which an analysis of last year's profits may be made. A few companies have not yet published figures, due to the custom in the industry of holding the books open for a considerable period after the fiscal year in order to give effect to the sale of substantially all of the season's crop of raw sugar, which naturally permits a more accurate picture of the year's results than if the books were closed before the crop had been disposed of. Last fall the sugar market was marked by rather low prices but a strong undertone forecasting better prices, so there was a tendency to sell the crop slowly and this caused the reports to be issued later than usual.

Following is a table showing earnings over the last two years of the leading sugar companies which publish reports to stockholders, or in the newspapers and "Pools Industrial Manual." Figures represent the net profit available for dividends or to carry to surplus (or the net deficit), i. e., after all growing, grinding and refining expenses, depreciation reserves, provision for taxes, and interest charges have been deducted. Fiscal years are indicated, and for refiners usually correspond with the calendar year, while for American beet sugar producers they usually end in February or March:

SUGAR PRODUCERS & REFINERS NET PROFITS 000s Omitted

	1926	1927
Alameda Sugar Co.....	D-327	...
American Beet Sugar Co.....	D-639	D-446
American Factors, Ltd.....	1,168	...
American Sugar Refining Co.....	6,340	...
Atlantic Fruit & Sugar Co.....	D-222	...
Beattie Sugar Co.....	D-219	D-84
Camaguey Sugar Co.....	D-385	D-19
Caracas Sugar Co.....	D-372	D-19
Central Aguirre Sugar Co.....	1,063	2,492
Central Teresa Sugar Co.....	D-129	...
Cespedes Sugar Co.....	D-106	261
Columbia Sugar Co.....	D-1,034	D-285
Continental Sugar Co.....	D-347	D-390
Cuba Cane Sugar Corp.....	D-1,982	942
Cuban-American Sugar Co.....	939	1,632
Cuban-Canadian Sugar Co.....	D-86	D-58
Cuban-Dominican Sugar Co.....	D-3,231	138
Cuyamel Fruit Co.....	612	...
Fajardo Sugar Co. of P. R.....	582	*992
Francisco Sugar Co.....	D-96	*464

Godchaux Sugars, Inc.....	D-153	246
Great Western Sugar Co.....	6,424	3,366
Guantanamo Sugar Co.....	290	564
Hawaiian Coml. & Sugar Co., Ltd.	130	...
Haytian Corp. of Amer.....	14	200
Holland St. Louis Sugar Co.....	D-623	D-81
Holly Sugar Corp.....	D-300	409
Manati Sugar Co.....	D-144	576
Michigan Sugar Co.....	D-2,754	D-458
National Sugar Refining Co.....	3,567	...
New Niquero Sugar Co.....	45	...
Punta Alegre Sugar Co.....	65	313
Santa Cecilia Sugar Corp.....	D-211	D-214
Savannah Sugar Ref.....	582	...
South Porto Rico Sugar Co.....	1,581	3,118
Sugar Estates of Oriente, Inc.....	D-571	D-48
United Porto Rican Sugar Co.....	*642	...
United Fruit Co.....	19,511	...
Utah-Idaho Sugar Co.....	D-977	D-639
Vertientes Sugar Co.....	333	...
Warner Sugar Corp.....	D-1,735	...

¹Years ended March 31; ²Years ended Sept. 30; ³Years ended July 31; ⁴Years ended May 31; ⁵Years ended Feb. 28; ⁶Years ended June 30; ⁷Years ended March 31, 1927 includes 11 months; ⁸Years ended Oct. 31; D-Deficit; *Before certain charges.

Of the above table of forty-one companies, twenty-seven have reported for 1927, and twenty-four furnish figures for both years so that a comparison may be made.

Seven companies which operated at a profit in 1926 increased the profit in 1927 with one exception, which showed a lower profit. Aggregate profits of the seven amounted to \$7,019,000 in 1926 and to \$10,955,000 in 1927, a gain of 54 per cent. The increase would have been even greater but for the Great Western Sugar Company, a beet refiner, whose earnings decreased from \$6,424,000 to \$3,366,000.

Of the seventeen companies which operated at a loss in 1926, seven turned this into a profit in 1927, eight decreased their deficits, and two had slightly larger deficits. The aggregate losses of the seventeen in 1926 amounting to \$13,473,000 was turned into a net profit of \$333,000 last year, a gratifying showing indeed.

Taking the twenty-four companies combined, a net deficit of \$6,454,000 in 1926 was changed into a net profit of \$11,288,000 in 1927. These figures testify most eloquently as to the progress which the sugar industry is making back toward sounder conditions, although earnings are still subnormal.

Slow Recovery from Severe Depression

THE depressed state of the sugar industry after the post-war slump is well known and no detailed review is necessary to show the background for this improvement now being noted. Among several troubles the chief one was an expansion of sugar producing and refining facilities to meet abnormal demands, followed by a collapse in prices and the usual difficulty thereafter in

curtailing capacity down to ordinary requirements. Most every industry goes through the same experience sooner or later, some of them time and again.

Before the war, world sugar production amounted to slightly over 18,000,000 long tons, of which Cuba produced about 2,500,000 tons, or, roughly, 14 per cent. During the war years, when sugar raising was interrupted in Germany, Austria-Hungary, Russia, France, and other countries, the Cuban industry received a great impetus and expanded both in acreage planted in cane and in mills constructed, until production from the island had increased 50 per cent, to nearly 4,000,000 tons, and supplied practically one-fourth of entire world requirements.

Under the stimulus of abnormal demand and disorganized distribution facilities, the pre-war price of around five cents per pound for granulated sugar at wholesale practically doubled, and in the after-the-war boom of 1920 soared up to twenty-five cents. The story ended in sugar, as in every industry, with the excessive price checking consumption on the one hand, increasing production on the other, and causing the speculative accumulation of stocks, all of which eventually broke the market and resulted in a drop in price back to five cents the next year.

Since then the industry has been working to extricate itself from the demoralization brought about by inventory losses, repudiated contracts, over-capacity in both growing cane fields and grinding mills purchased at inflated prices, distress sales of sugar and of sugar properties, frozen bank loans and high-rate bond issues, and renewed competition from the reviving production of various foreign countries.

Theoretically, the remedy was easy—simply cut down capacity. But practically, it was unusually difficult. In the fields which had been planted on the newly developed eastern section of Cuba the time required for clearing land and bringing cane into cultivation is several years, and the cane, once planted, is a perennial that can be cut repeatedly for several years.

In the grinding phase of the business most companies had put in enlarged plants at high cost, as well as developing cane fields for part of their requirements, and were therefore forced to produce at capacity in order to earn the interest on bond issues or bank loans, regardless of its effect on the general situation. Without meaning to criticize the sugar trade, and frankly admitting that such mistakes as occurred would not have happened if it had been pos-

(Continued on page 572)

Two States Propose Supervision for Investment Trusts

By MITCHELL IVES

Recognizing That the Big Question Mark Is Management, New York State Makes First Move to Place Supervision of These Comparatively New Investment Enterprises Under the Banking Department. Series of Laws Suggested to Safeguard Investors.

THE first step in the movement to subject investment trusts to the supervision of state banking authorities has been taken by New York and New Jersey. More than \$600,000 of the funds of the American investing public has been turned over to these enterprises, which are generally classed as investment trusts. Spurred by the intention of protecting the interests of this growing legion of investors, the Attorney General of the State of New York made a far-reaching investigation of the methods and operations of the investment trusts and recently announced that the state would sponsor legislation at the next session of the legislature to empower the State Banking Department to regulate and supervise these investment enterprises.

Following closely upon this announcement the Attorney General of New Jersey revealed that the methods under which the investment trusts were being operated in that state were being studied with the view to recommending new laws that will surround these security companies with the same safeguards that are thrown about other forms of investments.

Now Free from Regulation

UP until the present time, the investment trust in the United States has been free from the supervision of the banking authorities and has been subject only to the general corporation and business statutes. The big question mark about investment trusts is management, and the preliminary moves seem to foreshadow the coming of more general regulation by the states that will seek to protect the public before the investment trust is set up by granting charters only after a thorough-going investigation establishes the competency and integrity of the management and the soundness of the financial basis of the enterprise. After the trust has been chartered, further safeguards will be provided by requiring approved book-keeping methods, periodic reports and compliance with the assurances given the public as to the types of securities which may be bought.

The survey and investigation of the investment trusts was started several months ago by the Attorney General of the State of New York. Under the Martin Act, he has the right to investigate the affairs of conduct of companies selling securities within the state. Lengthy questionnaires were sent out to the various investment trusts,

the first with the view of establishing that the deeds of trust under which these organizations were operating were literally being followed out by the companies, and that the deeds of trust themselves admitted of no room for fraudulent practices. Later supplementary information was sought dealing chiefly with trading on margins and short selling. The Attorney General desired to learn to what extent these speculative practices could be followed under the powers vested in the directors of the investment trusts.

As the result of the survey, the Attorney General announced in November the intention of proposing a series of laws, designed to place the supervision of these investment trusts under the State Banking Department, require them to file periodic statements of condition, and otherwise bring them under closer control.

Timothy J. Shea, who is in charge of the bureau of securities of the New York Department of Law, and Assistant Attorney General, set forth the views of the state authorities in a voluminous report, in which the need for close supervision was stressed. He predicted that many advantages and benefits to investment trusts, and to the investors themselves, would be the direct outcome of the action.

"Our conclusion is that investment trusts which now handle hundreds of millions of dollars of the funds of American investors for the primary purpose of reinvestment on behalf of investors are charged with an unusual degree of public responsibility," his report read. "Accordingly we strongly recommend legislation which will subject investment trusts to legal supervision by the State of New York.

"The Martin Act, which gives the Attorney General the right to investigate the conduct of affairs of companies selling securities within New York State is ample protection to the public in the purchase of securities of fraudulent concerns.

"It is not, however, primarily protection from fraud that is needed in the case of investment trusts; it is the public assurance that the people managing these trusts are men of character, integrity and responsibility; that they are willing to show their faith in their enterprises by investing a substantial amount of their own funds in them, and that books and accounts are properly kept, with accurate and reasonably frequent reports to security holders.

"It is believed that abuses of practice

which might otherwise occur will be adequately forestalled if a public officer of the state is charged with the responsibility of refusing a charter to improper or dishonest incorporators; examining the original plan and prospectus, with the right to reject improper plans, and requiring reports and from time to time examining the books and accounts of investment trust organizations.

Proper Rules of Conduct

"THE investigation has revealed many well-defined and eminently proper rules of conduct which have been followed by successful investment trusts abroad, and for the most part by the larger and better-sponsored trusts in the United States. An attempt to state these rules follows:

"An investment trust, especially because of its financial and public nature, should pay only a moderate amount for its capital.

"The primary purpose of an investment trust is investment and reinvestment in securities.

"Periodic audits (at least annually) of all assets, liabilities, income and expenses should be conducted by independent public accountants, and a copy of such report sent to all shareholders or certificate holders.

"The legality of all issues should be vouched for beyond question.

"All contingent liabilities should be indicated in the balance sheet and clearly stated in all literature.

"Literature should clearly and accurately describe the character of the company and the securities offered.

"Loans to or transactions with officers, directors, trustees or closely affiliated companies as principals in the purchase and sale of securities is bad practice."

If the recommendations of the Attorney General are followed, an entirely new article to the banking law will be created, and there will be amendments to the tax laws, the general corporation law and to the banking statutes.

Proposed New Law

SUMMARIZED, the sections of the new article provide: (1) That five or more persons may form an investment trust; (2) that the investment trust cannot do business until approved by the Superintendent of Banks, until at least \$100,000 of the capital shall be fully paid in in cash, and until Section 3 is complied with; (3) that as a

(Continued on page 578)



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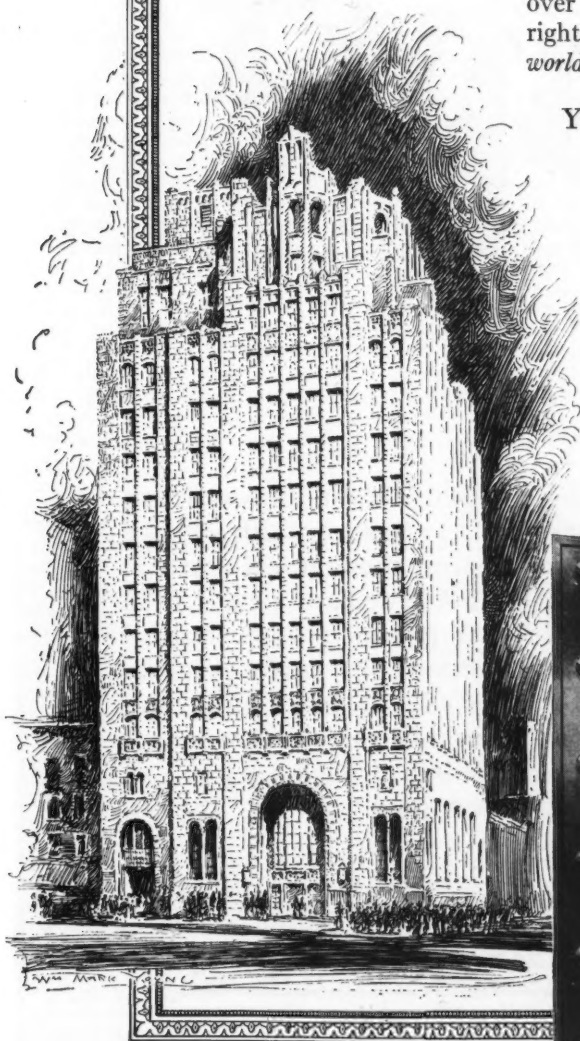
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The Condition of Business

Twenty Outstanding Features in the Financial and Commercial World As the New Year Opens. The Attitude of Conservative Optimism is Warranted and a Continuation of Prosperity is Looked For. Bankers Loans Increased \$930,000,000 Last Year

WITH the start of the new year the business world is reading with interest the numerous forecasts made by leaders in the various fields of industry, trade and finance. While there is a natural tendency to look toward each coming year as promising better times than those past (due to knowing the difficulties encountered and shaping future plans to overcome them, but not knowing what new difficulties will develop and have to be met), also a habit among Americans to be perennially optimistic (amply justified), nevertheless there appears to be this year a somewhat closer agreement among authorities than is usually found.

Certain of the financial phases of the outlook seem particularly significant, but before going into detail a brief summary of the general features may be of interest, taken from the numerous forecasts for individual lines and considered in the light of the analysis of business that has been made month by month in these columns.

1. An attitude of "conservative optimism" regarding general business in 1928 would seem warranted with a continuation of "moderate prosperity" likely.

2. Reviews of 1927, when all the facts and figures have been recorded, will probably agree that it was "a good, normal year," not quite measuring up to 1926, nevertheless well up in the prosperity zone.

3. Industry is marked by "underlying sound conditions," yet somewhat handicapped by the presence of such factors as excessive capacity, increasing competition and declining commodity prices, which caused an admitted recession during recent months.

4. Production next year should run in good volume. Automobile manufacturing activity will benefit the steel, rubber, non-ferrous metal, machinery, glass and paint industries. Other lines showing improvement are leather and shoes, farm implements, railroad equipment, meat packing, baking, tobacco, sugar and merchandising.

5. The firming up in commodity prices during recent weeks after a decline for more than two years has been spoken of as the probable beginning of a major upward movement, but we can find no convincing grounds for such belief, considering present industrial capacity in most lines.

6. Profits in 1927 were somewhat lower than in the year previous, a tabulation of the nine months' earnings of 200 leading corporations representing all industries declining from \$885,812,000 to \$819,272,000, a decrease of \$66,540,000, or 7.5 per cent.

7. The petroleum group of twenty-six companies suffered the largest decline, from \$134,910,000 to \$62,988,000, or 53.4 per cent. While the outlook is regarded as more optimistic, large supplies of crude and refined products in storage, and reserve wells not

being pumped, rather discourage hopes for any material recovery in the near future.

8. In the automobile industry most companies last year suffered in competition with General Motors Corporation, and in view of the popularity of the new Ford, a stiff competitive battle is looked for in 1928, including price cutting, etc., and affecting all producers—assurances to the contrary from Detroit notwithstanding.

9. New building construction, which has been one of the chief factors in our prosperity of recent years, was maintained surprisingly high during 1927. While there is a continued shifting from factory, office and apartment building to engineering projects, such as roads, bridges, subways, etc., 1928 starts with a sizable carry-over, and prospects are for a continued large expenditure on new and repair work.

10. In the merchandising field the movement of goods into consumers' hands proceeds smoothly and rapidly, but there is apparent a broad development of the specialized chain store system with its concentrated purchasing and standardized methods, which is displacing in increasing degree the wholesaler and jobber, also the independent retailer and general department store. Holiday buying was not quite so heavy as expected.

11. Railroad operations are conducted more efficiently than for years, and increasing earnings, in spite of high wages, are strengthening the credit of the roads and making stock financing again feasible. The railroads, like the great public utility systems, should have no reason for pessimism in the coming year.

12. Banks in the agricultural sections improved their position materially again last year and liquidated many of the old loans that had been carried along since the 1920 slump. Farm land prices are becoming stabilized at natural levels, and large farm purchasing power in practically every agricultural section augurs well for future business.

The Financial Side

13. Money market remains comfortable with rates for call loans, time money, commercial paper and bankers' acceptances ruling below a year ago. Recent firming up is partly seasonal, but may possibly hold for some time, due to large credit expansion on the one hand and gold exports on the other, unless the Federal Reserve banks continue to inject credit into the market.

14. Brokerage loans particularly have expanded rapidly, establishing new high records week after week, and by the end of the year absorbed over \$900,000,000, or 30 per cent more bank credit than at the beginning. However, the banking situation remains strong, with ample credit available for legitimate business requirements.

15. A genuine change is taking place in

commercial banking practice, due to the development of larger business organizations through mergers. Instead of borrowing from a group of banks as heretofore, these great enterprises frequently finance themselves by selling bond or note issues in the investment market, which to a considerable extent go back to commercial banks in their bond account, which stands over \$800,000,000 more than a year ago.

16. Last autumn witnessed a reversal of the gold flow, large exports being sent to more than a dozen different countries, either as proceeds of foreign loans for currency stabilization or to balance unfavorable exchanges. Gold holdings of the Federal Reserve banks are now some \$300,000,000 below the high point of 1927 and actually lower than a year ago.

17. The stock market in 1927 handled a greater volume of trading than ever before, exceeding by 28 per cent the previous record year, under the stimulus of cheap money and free extension of credit on collateral loans. Unless the trend of corporate earnings turns upward this year, there may be necessary some readjustment in stock prices, and banks are asking extra margin against certain issues.

18. Government finances are in splendid condition, with \$1,131,000,000 eliminated from the national debt during the fiscal year ended June 30, 1927, and an additional \$476,000,000 since that time. The debt, however, is still more than \$18,000,000,000, and while some further tax reduction may be possible at this session of Congress, there appears to be a growing conviction that it would be unwise to demand an excessively large cut in revenues in view of the downward fluctuations in corporation earnings noted last year.

19. Foreign trade has enjoyed another banner year, with exports about 2.5 per cent above 1926, and imports 5 per cent lower (caused by lower prices), on a combined total of over \$9,000,000,000, reflecting the continued improvement of conditions in Europe and other parts of the world. Imports will naturally tend to increase, and it is essential that our export trade be maintained in large volume despite growing competition in foreign markets.

20. The foreign exchanges have reached the most satisfactory stability since the war, with the English pound above par and near the gold shipping point, and most other countries at or near par, or else stabilized at a lower level.

Money Rates Rise Over Year-End

THE money markets have during the past year been characterized by easy rates and freedom from fluctuation. This has been

due to subnormal commercial demands and to the release of credit through open-market purchases by Federal Reserve banks.

Only during the latter half of December did rates display any real hardening, which is mainly seasonal and is caused by numerous abnormal demands, such as calling of loans by banks in preparation of statements, currency withdrawals for holiday trade, bank credit for financing the same, government tax collections and sale of Treasury Certificates, and shifting of funds to disburse as interest and dividends. Call money in New York closed the year at 5½ after averaging 3½-4 per cent during 1927.

Rates promptly eased off again in January, as was generally expected. Future depends on a number of factors, particularly commercial borrowing, secured borrowing, gold exports and Federal Reserve policy.

As to the first, commercial borrowing, no large increase from this quarter is expected, for although expanding business in some lines is looked for, it should be only moderate. Neither inventories nor prices are inflated so as to require unusual amounts of credit.

Secured loans are still expanding, and apparently will continue to do so as long as cheap money is available for stock market purposes.

Gold is continuing to flow outward at the largest rate ever experienced, although reduction of total American holdings is relatively unimportant to date.

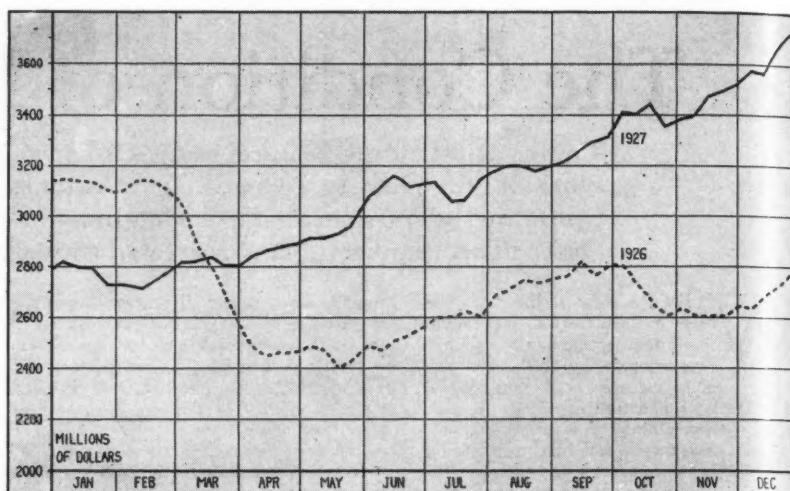
Federal Reserve policy is problematical. While it is desirable to hold money rates here low, so as to make it easier for several European central banks to strengthen their positions, this has permitted and encouraged the application of funds into the stock market until speculation has become rather excessive. While no definite plans have been revealed, there has risen some talk as to the possibility of the Federal Reserve turning its attention to the domestic securities markets and putting a check on speculation by withdrawing credit from the money market (through sale of bills and securities), followed by an increase in the rediscount rate, which could later be lowered again when sufficient contraction of brokerage loans had been effected.

Banking Expansion During 1927

TO bankers who follow the condition, not only of their own institutions but of all banks, by noting the statements published weekly covering the reporting member banks and the Federal Reserve banks, the picture of our banking system at the beginning of 1928 discloses a remarkable expansion as compared with one year ago. Growth in banking resources ever since 1921 has been rapid, but the figures for the twelve months just passed are of chief interest and require little comment.

Commercial loans of the 600-odd reporting member banks at the beginning of 1927 stood at approximately \$8,728,000,000, and now are \$8,735,000,000, or only \$6,000,000 higher.

Loans secured by stocks and bonds, how-



Bankers loans increased \$930,000,000 or 33 per cent last year

ever, increased during the year from \$5,755,000,000 to \$6,221,000,000, or \$866,000,000.

Investment holdings increased during the year from \$5,570,000,000 to \$6,431,000,000, or \$861,000,000.

Therefore there has been an expansion in loans and investments combined of \$1,733,000,000, practically none of which represents increased borrowing from trade, industry and agriculture, during a year when the volume of business was lower than the preceding year. The gain in these earning assets amounts to only 8.65 per cent, which is little more than is considered normal growth. Nevertheless, because of the nature of the expansion, and the less liquid condition of our banking system as a result, the trend in the immediate future will be watched with more than ordinary interest.

Strictly brokerage loans during the corresponding period increased from \$2,788,000,000 to \$3,718,000,000, a gain of \$930,000,000, or 33 per cent.

The Federal Reserve banks, as shown by their combined statement, held \$102,000,000 less of bills discounted than a year ago, but \$7,000,000 more bills bought in the open market and \$286,000,000 more of government securities, so that the total of bills and securities is up \$191,000,000.

Reserve Bank credit, therefore, has been only slightly resorted to as yet, and for the system as a whole the ratio of total reserves to deposit and note liabilities has declined only from 70.1 per cent to 66.8 per cent.

Exports and "Ear-Marking" of Gold

A FEATURE of the money market during recent months has been the reversal of the gold flow from an import balance to a heavy export balance. After running for the first eight months of 1927 on the side of an import balance aggregating \$146,789,000, the tide turned outward during the last four months to the extent of \$142,291,000 on balance, leaving a net gain of \$4,498,000 for the year.

Following are the figures on gold move-

ment taken from the Department of Commerce reports:

Gold Imports and Exports

1927	000s Omitted		Balance
	Imports	Exports	
January	\$59,355	\$14,890	+\$44,465
February	22,309	2,414	+19,895
March	16,382	5,625	+10,757
April	14,503	2,592	+11,911
May	34,212	2,510	+31,702
June	14,611	1,840	+12,771
July	10,738	1,803	+8,935
August	7,877	1,524	+6,353
September	12,979	24,444	-11,465
October	2,056	10,698	-8,642
November	2,082	55,266	-53,184
December*	6,500	75,500	-69,000
Total	\$203,604	\$199,106	+\$4,498

*Preliminary

Destination of this gold has been to more than a dozen different countries. December exports were the largest for any single month in history, and countries receiving \$1,000,000 or more include Argentina, Belgium, Canada, Dutch East Indies, England, France, Holland, India, Poland, Straits Settlements, Sweden and Uruguay.

Certain of these countries require gold to add to their reserves in carrying out programs for stabilizing currency. Others draw gold from the United States because their currencies are at a premium, due to our importing more merchandise from them than we sell to them, or else tourist expenditures, remittances, etc., or proceeds of loans made in this country.

Movement to Canada, which is seasonal, has just reversed itself with three shipments aggregating \$10,500,000 back to the United States, and additional small amounts are expected to come from this quarter from time to time.

Apart from actual export of gold, large quantities have been removed from available reserves of our banking system by being purchased and "ear-marked." Such gold is kept in the vaults of reserve banks for account of owners, in most cases foreign government banks, and of course no longer appears in reserve bank statements inasmuch as it is merely being held for safekeeping.

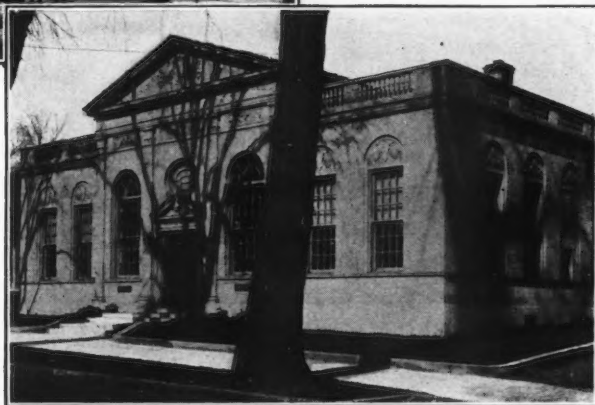
While exact amount of this ear-marked gold is not known, holdings of Federal Re-

(Continued on page 545)

The NATION'S BUILDING STONE



(At Left) Philadelphia Savings Fund (Branch), Philadelphia, Pa. Mellor, Meggs & Howe, Architects. Exterior is VARIEGATED Indiana Limestone; interior Select Gray Indiana Limestone



(Below) Winsted Savings Bank, Winsted, Conn. Hoggson Bros., Architects and Builders. Indiana Limestone

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Most of the finest stone buildings in America are of Indiana Limestone from the quarries of this company.

The extent and central location of the Indiana Limestone Company quarries

make possible prices that compare favorably with those of any other natural stone and even with those of substitutes.

Prospective builders are assured a service on Indiana Limestone second to none. The Indiana Limestone Company is a consolidation of 24 companies. With assets of over \$46,000,000.00, it has facilities for handling any number of contract operations.

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We will gladly send an illustrated brochure, showing banks and other types of buildings. When you write, please tell us what type of building you are interested in. Address Box 776, Service Bureau, Indiana Limestone Company, Bedford, Indiana.



Detailed view of beautifully carved entrance, National Manufacturers' Bank, Neenah, Wis.

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Handling Peak Loads

AT THE BEGINNING of the year bank forces are under pressure because of the greatly increased number of transactions to be handled. For this Company the increase in coupon collections alone at that time is approximately 300%. There are also lesser peaks on certain days of the month and at the beginning of each quarter.

American Exchange Irving Trust Company takes care of these peak loads through part time forces. Experienced workers, whose services are then available by special arrangement, put these additional items through with speed and accuracy.

Thus, even during peak loads this Company maintains its high standard of service for correspondents and their customers.

OUT-OF-TOWN OFFICE

AMERICAN EXCHANGE
IRVING TRUST COMPANY

Woolworth Building, New York

Condition of Business

(Continued from page 542)

serve banks at the end of the year, amounting to \$2,739,100,000, were \$331,000,000 below the high point of \$3,070,154,000, reached on May 11 last. This indicates that loss of gold by ear-marking is much more than the amount actually exported so far.

World Return to Gold Standard

IN December, Italy announced its return to the gold standard and a permanently stabilized lire at a parity of nineteen to the dollar, or \$0.5263. This makes nineteen foreign countries of the thirty-three whose exchanges are regularly quoted here that have returned to the gold standard since Sweden first resumed gold payments, April 1, 1924. They are:

Argentina	England	Italy
Austria	Finland	Poland
Belgium	Germany	Russia
Canada	Holland	Sweden
Chile	Hungary	Switzerland
Colombia	India	Uruguay
Denmark		

In addition, eight nations have obtained "de facto" stabilization. They are:

Bulgaria	France	Portugal
Brazil	Greece	Rumania
Czecho-Slovakia	Jugoslavia	

Two units, the Hongkong dollar and Shanghai tael, are tied to silver and fluctuate with the price of the white metal. That leaves only four of the thirty-three still fluctuating. They are Spanish pesetas, Norwegian kroner, Japanese yen and Peruvian pounds. Of those four, Norwegian kroner will probably be placed on a gold basis shortly, and Peruvian pounds will probably be permanently stabilized around present levels, with part of proceeds of the \$50,000,000 loan sold here last month.

On Dec. 29 the Bank of France reduced its rediscount rate from 5 to 4 per cent, which is regarded as forecasting an announcement of stabilization at present levels.

Prevailing rates at principal other central banks are 3½ for the United States and Switzerland, 4 in Sweden, 4½ in England, Holland and Belgium, 5 in Denmark, Spain and Norway, 6 in Finland, 6½ in Austria, and 7 in Germany, Italy and India.

Stock and Bond Markets

THE stock markets finished the year like they began—active, irregular but strong. Volume of trading on the New York Stock Exchange established a new record of over 576,000,000 shares for the year, compared with 449,000,000 shares in 1926, representing an increase in trading of 28 per cent.

Trend during the year was upward with only minor reactions. Measured by *The New York Times'* averages, twenty-five representative railroad stocks closed the year at 118.71, while the low was 99.34 on Jan. 4 and the high 124.22 on Oct. 4.

Twenty-five industrial stocks closed the year at 243.20, compared with a low of 171.49 on Jan. 25 and a high of 247.48 on Sept. 16.

High level of present prices is even more apparent if a comparison be made with the

preceding year, so as to show extent of the movement that started in the summer of 1926. Railroad average on March 30, 1926, was at a low point of 81.61, from which it has advanced 37 points, or 45 per cent. Industrial average on the same date was 137.65, from which it has advanced 106 points, or 78 per cent.

Recently a number of banks have been re-marking stock values, that is, valuing them for collateral purposes at a certain number of points below current market quotations in order to give themselves a wider margin on loans secured by shares that have had large advances.

While the future course of the market is difficult to forecast, attitude of investors and traders in bidding up prices over the last several months, when business was experiencing a recession would seem to reflect general confidence in an improvement this year. But easy money was a factor, too. If for any reason the supply of funds for speculative purposes were curtailed or made expensive, it is not unlikely that the market would suffer a major decline. The reaction on Jan. 5 brought the largest volume of trading and most severe breaks since March, 1926.

Bond prices have held steady and are around their highest level of the year, and on an average some three points higher than last January. This despite the unprecedented volume of new offerings. Easy money during 1927 both supported the bond market and encouraged refunding of high coupon bonds sold during the years of depression into lower rate issues.

Record Volume of New Financing

THE past year has witnessed a remarkable increase in volume of security underwritings. Grand total of bonds offered publicly in American markets in 1927

reached \$6,646,000,000 and compared with \$4,728,000,000 sold in 1926 represents a gain of 40 per cent.

Following are totals by months for the two years with percentage change indicated, from tabulations of *The Wall Street Journal*:

New Bond Offerings

	1926	1927	% Change
January	\$470,048,000	\$635,353,000	+38.9
February	400,981,000	578,500,500	+44.2
March	370,834,000	455,185,000	+22.7
April	507,666,500	699,972,500	+37.4
May	323,836,000	667,105,100	+106.0
June	518,055,699	595,496,000	+14.9
July	361,805,700	275,832,500	-23.7
August	176,202,863	356,259,000	+102.0
September	357,744,000	426,404,000	+19.2
October	410,187,000	766,062,000	+86.8
November	419,878,000	574,764,082	+36.8
December	410,771,000	*600,000,000	+46.0
Total	\$4,728,009,762	\$6,646,933,682	+40.0

*Preliminary.

These figures are for interest bearing obligations only and do not include any stock offerings, nor the sale of Treasury Certificates.

Classified by different lines, the public utility, foreign, industrial and municipal groups, which comprise approximately three-fourths of the total, all show substantial increases, as do also the railroad and Canadian financing. Real estate issues are the only group showing a decrease. Around \$1,500,000,000 was loaned abroad last year.

During December the largest issue was \$60,000,000 Philadelphia Co. bonds to yield 5.11 per cent. Other sizeable underwritings were \$50,000,000 Republic of Peru to yield 6.80 per cent, \$42,000,000 Sinclair Crude Oil Purchasing Co. at 5.70, \$40,000,000 Alabama Power Co. at 4.80, \$40,000,000 Duke Power Co. at 4.60 and \$31,000,000 New York, New Haven & Hartford Railroad Co. at 5 per cent. The Lehigh Valley Railroad Co. sold an issue to mature in the year 2003.

Details of the month's most important issues are as follows:

Major Financing in December

Issue	Amount	Rate	Due	Price	Yield
Philadelphia Co. secured	\$60,000,000	5	1967	98	5.11
Republic of Peru, ext. s. f.	50,000,000	6	1960	91½	6.80
Sinclair Crude Oil Purch. Co. A.	42,000,000	5½	1938	98½	5.70
Alabama Power Co., 1st & ref.	40,000,000	4½	1967	94¾	4.80
Duke Power Co. 1st & ref.	40,000,000	4½	1967	98	4.60
N. Y., New Haven & Hartford RR. Co., 1st & ref.	31,000,000	4½	1967	91¾	5.00
Central Ill. Public Service Co. 1st F.	29,000,000	4½	1967	94¾	4.80
Associated Electric Co.	20,000,000	4½	1953	94¾	4.90
Central States Electric Corp. conv. deb.	20,000,000	5	1948	96½	5.28
Twin City Rapid Transit Co. 1st & ref A.	18,000,000	5½	1952	97	5.70
Irish Free State, ext. s. f.	15,000,000	5	1960	97	5.20
Missouri-Kansas-Texas RR. Co. prior lien D.	13,600,000	4½	1978	99¾	4.52
Lehigh Valley Railroad Co. gen.	12,686,000	4	2003	92¾	4.32
Inter. Securities Corp. of Amer. deb.	10,000,000	5	1947	95¾	5.35
Florida Power & Light Co. 1st.	10,000,000	5	1954	97½	5.15
Chicago Sanitary District.	9,000,000	4½	1928-47	..	3.75-90
Central States Pr. & Lt. Corp. 1st.	8,500,000	5½	1953	98½	5.60
Louisiana Power & Light Co. 1st.	8,000,000	5	1957	97¾	5.03
Peoples Gas Light & Coke Co. notes.	8,000,000	4½-½	1929-30	100	4.25-50
Shinyetsu Electric Power Co., Japan, 1st s. f.	7,650,000	6½	1952	93¾	7.07
European Mortgage & Investment Corp., 1st C.	7,000,000	7	1967	97½	7.20
Central Gas & Elec. Co. 1st col. tr. s. f.	7,000,000	5½	1946	98½	5.62
York Ice Machinery Corp. 1st s. f.	6,500,000	6	1947	101	5.90
City of Newark, N. J., serial.	6,499,000	4½	1928-66	..	3.70-.85
Wisconsin Pr. & Lt. Co. 1st & ref. E.	6,350,000	5	1956	100½	4.90
New Orleans, Texas & Mexico Ry. Co. 1st D.	5,900,000	4½	1956	98	4.63
International-Great Northern RR. Co. 1st C.	5,500,000	5	1956	101¾	4.89
City of Toronto, Canada, treasury notes.	5,500,000	4	1930	99¾	4.10
Crown Cork & Seal Co. s. f.	5,500,000	6	1947	98½	6.12
Central RR. of New Jersey, gen.	5,000,000	4	1987	98½	4.08

Convention Calendar

DATE	STATE ASSOCIATIONS	PLACE
May 3-5	North Carolina	Pinehurst
May 15-16	Mississippi	
May 16-17	Maryland	
	Old Point Comfort, Va.	

May 23-25	Ohio	Cincinnati
May 25-26	New Mexico	Tucumcari
June 6-9	California	Pasadena
June 13-14	South Dakota	Sioux Falls
June 14-15	West Virginia	
	White Sulphur Springs	
June 18-20	Iowa	Cedar Rapids
June 20-22	Illinois	Rock Island

What Taxation Is Doing to Agriculture

By W. H. BRIDGES

Vice-President, Farmers Bank of Carson Valley, Minden, Nevada

Takes About Thirty Per Cent of the Farmer's Income, Though Some Enterprises Have to Pay But Seven Per Cent of the Income. Unjust Practices. Forestry, Important in the National Welfare, Gets But Scant Encouragement from the Assessors.

ON the Pacific Coast the relationship of taxation to agriculture is the same in principle as it is in other portions of the country, differing only in detail or locally in the ratio of taxes to farm income.

Farm lands pay a disproportionately large share of the taxes from a disproportionately small share of the national income. I believe that the following percentages of net income absorbed by state and local taxes for a four-year average, as compiled by experts for the State of Wisconsin, will compare favorably to far western percentages:

	Per Cent
Municipally owned utilities	6.03
Unincorporated business (individuals, firms and partnerships)	7.1
State banks and trust companies	12.5
Electric railways	16.9
Manufacturing corporations	15.7
Mercantile corporations	19.6
Miscellaneous business corporations	22.1
Average all business corporations	17.2
Public utilities, locally assessed	14.6
Public utilities, assessed by state	19.5
Average all electric light, power, gas and water companies	18.5
Telephone companies	23.3
Steam railways	29.2
Farms	30.6

THE general situation for the entire country is best summarized in the simple statement that in 1926 the taxes on farm property were approximately 250 per cent of what they were in 1914, while the farm income was only 130 per cent of the 1914 figure.

This represents an unfair shift in the tax burden to the farmer from other groups in the community, groups far better able to bear increased taxation; because their incomes have at least kept pace with the increasing cost of living.

On the Pacific Coast, just as throughout America, the cost of government has risen steadily. There has been a sharp rise between 1914 and 1927 in the cost of all the established functions of government, and meanwhile local and state governments in the West have taken on many new and expensive functions.

Many times the question has been asked, why cannot taxes be reduced in agricultural sections when farmers apparently have a great deal to say in the local government? A fairly high percentage of taxes is used for good roads and good schools, and a farmer, as well as others, prefers to

travel on good roads and to give his children the best possible education; therefore, if it were possible to reduce taxes to some extent by curtailing road and school expense, the fact still remains that this saving would be undesirable and would retard progress, which no one desires, even though his yearly income be reduced. In some sections farmers might attempt to lower taxes by building fewer schools and less mileage of good roads, but they probably would not succeed, as in most cases school districts and road districts are controlled by the town population.

Very many groups have largely escaped the increased tax burden, at least in its direct form. The professional classes, those in salaried positions and those whose incomes are derived wholly or in part from certain types of bonds, have escaped to a very considerable degree. Artisans and mechanics of all classes and the members of trade unions have escaped to a very considerable extent the burden of increased taxation.

UNDER these conditions, in the West just as in the East—since government must be maintained and since in the sparsely settled sections it is always maintained with financial difficulty—it was only to be expected that the tax burden imposed upon such visible, tangible assets as farm properties should have risen out of all proportion to the increase in farm incomes.

There are perhaps in the West certain characteristic local aspects of the distribution of the increased tax burden. For example, since in many portions of the West

mining is a highly important industry, it is but reasonable to assume that the mines will bear a fair proportion of the increased tax burden. On the whole, however, this does not appear to be true. It is not customary to tax mining properties as such. Taxes are not laid to any great extent upon hoisting plants and other facilities for the extraction of ore from ledges underground. Taxes are imposed upon the product of the mines rather than upon the mining property. Even this form of taxation often has been escaped in part; a fact that has been easier in those states in which mining is still recognized by legislative assemblies and governing bodies as the paramount industry.

On the other hand, the cattle industry has not been able thus to escape. In fact, it is customary to tax ranch properties, and to tax in addition the product of these properties, the cattle raised on these ranches.

Although the cattle assessed are more in proportion to income than farms, the assessment on cattle moves up and down in proportion to their market value, which is not true of land. The assessed valuation on land in many cases is above what the land could be sold for.

In comparison with official leniency toward the mining industry, this appears to the western cattlemen as double taxation. The tax burden has contributed directly to the bankruptcy of many of the large cattle companies within recent years.

FORESTRY must not be confused with farming. Still there is an important analogy. The time has almost come when there must be "farming" with timber as the long-time crop. The present tax situation is the greatest possible obstacle to reforestation. It has been a far cheaper and more reasonable practice to let forest lands revert than to attempt to hold them in private ownership after the timber was removed. Such lands will not stand annual taxation, because the second crop income can be received only after sixty or eighty years. At present forest lands, with valuable second growth maturing, are visible, tangible assets, and as such are easy targets for the assessor. It is essential that the taxation take such a form that it will encourage reforestation.



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...writes the Capital City Trust Co.
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This is convincing proof of the two-fold benefit offered to banks selling American Express Travelers Cheques to their clients.

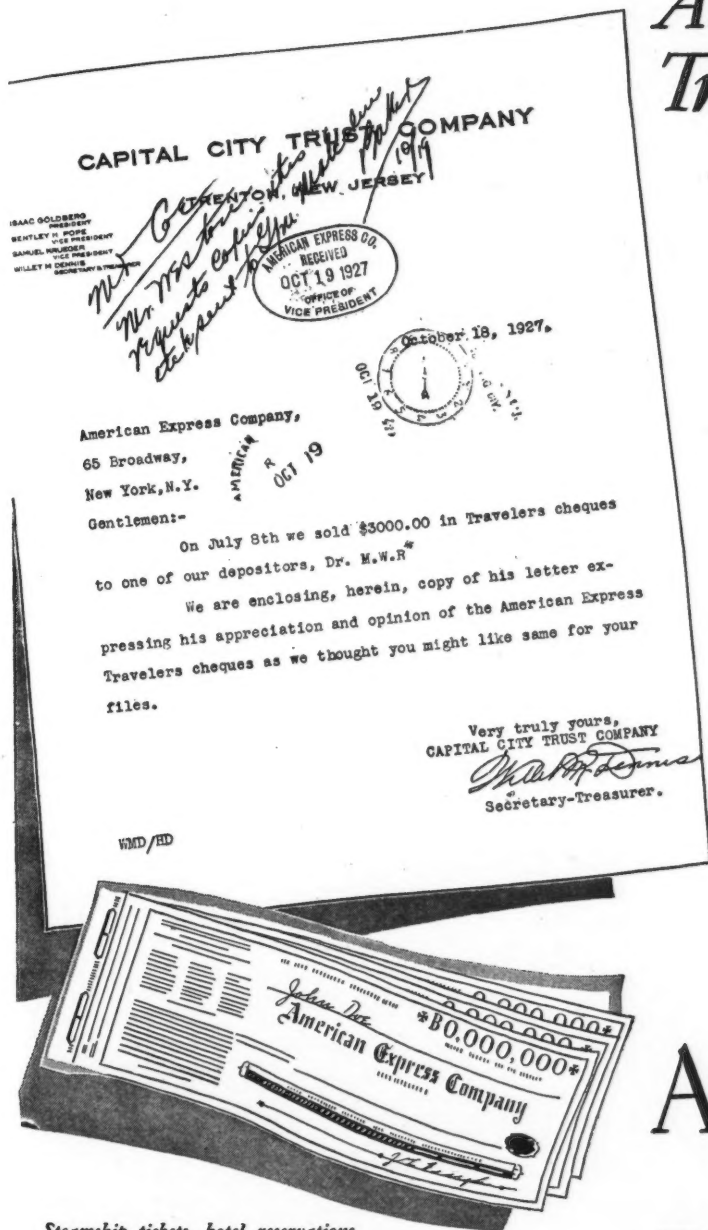
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The Farmer Can Use Constructive Advice

THE NEW YEAR LIES AHEAD. Snow glistens on the fields, and underneath lie the secrets of next summer's harvests. In the spring, Nature will wake the life in the soil, but man must direct it.

The forward-looking farmer is always improving the things he has done. He goes on compounding farm knowledge, motor power and mechanical equipment, managing his farm-factory with greater ease and efficiency. The more he works with his brain, intelligently, the less he toils with his hands. His own muscle power is as limited as it was in Adam's time and the hand work of his hired hands is very, very costly. He puts the burden onto machines—broad-capacity, fast-working, cost-reducing, profit-making equipment and power. He is abreast with the best of men and he competes with the world. He forces the issue in farming and profit comes his way.

The Banker Can Help Him

Changes in equipment and power have been coming fast of late years. Labor-saving methods and machines are giving great advantages into the hands of the modern farmer. The local banker can make many an opportunity for the ambitious farmer who needs help getting under way. He may demonstrate, through both his advice and his financial support, the advantages of capacity, leading to more profitable farm operation.

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Farmall Tractors
Farmall Machines
Tractor Plows
Horse Plows
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Beet Cultivators
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McCORMICK-DEERING

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Banking Staff

(Continued from page 529)

inside the organization rather than outside of it—to fit the specialist to the organization rather than the organization to the specialist.

With these three qualities I am going to stop. They are the only things we look for in everybody or nearly everybody. Of course, I am presupposing the ordinary virtues of honesty, industry, loyalty, etc., and also that the men we obtain will be courteous, affable, and accommodating. Our compensation plan supplies ample motive for that. The fact that we expect these things is hardly worth commenting on. Everyone expects them, and fortunately the ordinary run of people measure up pretty well.

If we can get men who have the ability to learn, who are accurate and sound in thought and action, who are versatile enough to fit into more than one place in our organization, and who, of course, have the ordinary everyday virtues—if we can get such men together, lead and direct them, and, most of all, inspire them with a common purpose and a common interest in the success of the organization, then without doubt we have built on a solid foundation. Success cannot be long delayed because the basic material is there. New problems are easily met where the ability to learn is present. Costly errors that would cause dangerous setbacks are not possible if real accuracy and soundness is the rule. The organization will respond instantly to any new demand or change of policy if its members have real flexibility. And finally, if, in addition to all these, the desire to bring about the success of the organization has become a driving force, the Personnel Department has done its work. A successful organization is not only assured—it could hardly be prevented.

Of course, in practice everything is not quite so simple as this. There are many refinements and many details. We must see that, beside the qualities that are mentioned as common to all, a certain percentage have the personality for contact positions, that a certain percentage have the disposition to be content with routine interior work, that a certain percentage have sales ability, credit

ability, etc. In other words, we expect flexibility only within reasonable limits. There must be a differentiation in the types employed in proportion to our broad general estimate of our future needs. And then, too, we are not quite to the point where we employ no one but beginners with the required potentialities. We must still draw trained men from the outside for certain positions—although the number of such placements is rapidly decreasing.

What Starts Men Toward Success?

AND now for our observations as to what starts men on the road to success with us. Undoubtedly, ability to learn, soundness, flexibility, and the will to succeed are as important to the individual as to the bank—especially flexibility. The hardest man in the world to handle is the beginner, who knows exactly the phase of banking he must specialize on. Many an opportunity for advancement is lost to such a man. He has unwittingly said to himself, "I will mark time till events suit my plans. I will wait till the organization fits me"—something he will know from later experience might never happen. The wiser man takes each opportunity as it comes. He adapts his course, like a good sailor, to suit the winds and currents, meets the needs of the organization as they arise, and because he meets its needs the organization rewards him. The only other aid to success with us that is worthy to rank with these is the ability to lose oneself. So many beginners are so busy trying to find out why they do not do better that they have no heart left for doing better. They take themselves so seriously that they are a problem to themselves and to everyone else. They are constantly wondering whether they were right to have come with the bank and whether some other business would not be better. They go into banking like some people go into the surf, an inch at a time, and with the thought always in the back of their heads that perhaps they will turn and run for shore. No real success has ever been made until the beginner has lost himself in his work. If every beginner could say to himself, "I'll throw myself into this for one full year before I will even take stock of myself, and at that time I will

appraise the situation and decide on the future course," there would be very few failures.

Finally, as a natural consequence of these requirements—especially of our wish that our employees have a common and powerful desire for the success of the organization and of our knowledge that no real success with us can come to any individual who does not lose himself in his work—we make it a uniform requirement that every employee devote his whole time and attention to the bank. No outside interests are permitted. Banks in the past have too frequently been run as a side line of other interests. Banking is our business, and we insist that employees stick exclusively to it and see their future solely in our service. In the remarkable returns which come from our compensation plan and in the many important executive positions which our growth has made accessible are ample rewards for such singleness of purpose.

Add to a powerful desire to succeed, ability to learn, soundness and flexibility, and you have the basis for building a successful organization. Add to all these the ability to lose oneself in one's work, and you have the basis of individual success. With it all include devotion to the bank and the banking business to the exclusion of all other interests, and neither organization nor individual will slip back from any success they may have obtained.

Four Regional Savings Conferences

Four regional savings conferences covering all parts of the United States will be held in the spring of 1928 under the auspices of the Savings Bank Division, American Bankers Association, it is announced by the president of the division, George L. Woodward, treasurer, South Norwalk Savings Bank, South Norwalk, Conn. The first conference will be held in the Pacific and Rocky Mountain states March 8 and 9 in Seattle, Wash. The second conference will be held in Chicago, March 15 and 16, for the convenience of central district states. On March 22 and 23, New York will be the conference city covering the east and northeast group of states, and in Richmond, Va., the conference will be held on April 5 and 6 for the southern group.



The Changing Sky Line of Lower New York

Preparedness Prevents Holdups

By DALE GRAHAM

Advertising Manager, Mississippi Valley Trust Co., St. Louis

Bandits Choose the Unprepared, Exposed Places and Avoid the Towns Where Vigilantes are Ready to Resist and to Pursue Them. In Indiana the Annual Shoot, With Trophies, Develops Marksmen and Tells Bandits of Places to Avoid. Texas' \$5,000 Reward.

IF we can make bank robbing synonymous with suicide, then we'll not hear of so many holdups."

Thus a banker sized up the solution to the bank burglary and holdup problem so acute in parts of the country. That it is an effective solution has been proved by the fact that where "hard-boiled" methods have been used by the bankers, the police, and the courts, such crimes have been greatly reduced.

Preparation for the robbing of banks is like preparation for a legitimate business venture in that the holdup man makes a calculation of the efforts and risks involved, and weighs them against the possible profit from the transaction. Up to a few years ago it was easier and safer to rob banks than it now is, so there were more robberies then than now.

Organized efforts in several states have increased the risk and decreased the chance of conducting successful and profitable holdups, so most of the men of the black masks and loaded forty-fives have removed their operations to fields where the cost of doing business is not so great. Economically sound, is it not?

Bank robbers, on the whole, are high-grade crooks—if there can be anything high-grade about a man so morally modeled. They are the elite—the executives—in their field. That doesn't always apply to the "field men" who do the jobs, but it invariably applies to the heads of organized gangs of criminals. They conduct their operations on a business-like basis. They are out for the money, and they go where the chances of getting it are best.

They do not want to get shot, and most of them do not want to shoot anyone. As for getting caught—that all depends. In some jurisdictions, getting caught robbing a bank is annoying to a criminal, but not serious. Where there is little danger either of death or of imprisonment, there the bank robbing business thrives. Unfortunately, such a happy situation has existed in some states for years, and that is why bank robbing attracted so many men, and even occasionally a woman.

But times are changing! The bankers' associations are beginning to deal with the problem in a big way. Their motto is, "Every bank robber shot or caught!" Long sentences are becoming quite usual, while in Oklahoma the death penalty has been imposed in a number of cases. To say the least, such a change is unpleasant to the holdup men and burglars. So unpleasant, in fact, that many are willing to change

their field of operation to parts where such stern measures are not in force.

Individual banks are also taking steps to foil robberies. The other day I walked into a small bank in southern Illinois. Across the middle of the room was a whole wall of bullet-proof glass and thick-woven strap iron. The tellers' windows were very small openings, and on the inside of each opening was an iron frame that would prevent a bullet being shot into the inner office, even if a bandit did get his gun through the opening.

"This layout cost us about \$3,000," the banker explained, "and I do not think we will ever have a chance to try it out. There are too many banks in the country that are unprotected for a sensible bank robber to bother with us."

Bank Door Always Locked

ONE small bank in St. Peters, Mo., has a novel way of warding off holdup men. The lock on the inside of the front door has an extension lever on the knob about six inches long. To this lever is attached a cord which follows pulleys up to the ceiling and across to a point above the cashier's window, where it drops to the counter. The door is kept locked at all times, and when a person appears for admission he is first scrutinized by the cashier. If he is a customer, or if he "brings an honest face," the cord is pulled, releasing the door latch. If the newcomer is a suspicious-looking stranger, if there are more than one in the party, or if any other indications suggest impending trouble, the cashier can use his judgment about ducking below the counter and letting the visitors pound on the door. Holdup men want to do their work in a hurry, and such an obstacle as a door to be broken open as a preliminary step might be discouraging enough to cause them to move on to a place where they can spring a complete surprise. At any rate, the bank at St. Peters has not been bothered since the perfecting of the device.

Burglar alarms are regarded by some bankers as ineffective because of the false alarms, sounded by accident. It's the old story of the boy who cried "Wolf! Wolf!" too often. When the people hear the gongs they conclude some one stepped on the switch or forgot to set the vault combination. R. E. Fritz, vice-president of the Kaw Valley National Bank, of Topeka, Kan., relates that when his bank was held up, the only person to respond was the banker across the street, who, probably out

of curiosity, came unarmed and walked in on the bandits in action.

Bankers in small towns are beginning to realize that it is not a good policy to leave their institutions in charge of one or two people during the noon hour. It is at this time that most of the holdups occur. In thousands of places the practice of closing from twelve to one is becoming quite common, the public adjusting itself to the new hours with seemingly little difficulty.

Enter the Vigilante!

THE "Vigilante" or "Town Guard" system advocated by the bankers' associations seems to be most effective, not only in foiling robberies and catching bandits, but also as a deterring influence. This plan involves the arming, training and organizing of local citizens to answer hurry-up calls when the banks are attacked.

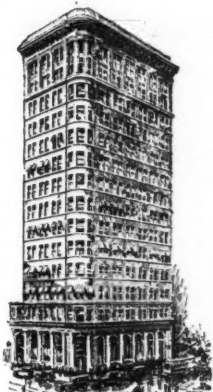
In one town visited I learned that almost the whole population was lined up as a "bankers' protective committee." The town policeman had been furnished with special equipment; the garage man, a filling station man, the proprietor of a store across the street, and several others had been given sawed-off shotguns by the local bankers and sworn in as deputies by the sheriff. The banks had alarm buzzers connected with the garage, so that in event of a holdup, the garage man could summon the other deputies and have a car ready for pursuit, if necessary.

"So far we have not had any chance to try it," explained the bankers, "but we think the moral effect of being prepared tends to discourage attacks on our institutions."

The salutary effect of such preparation is indicated by the fact that in Indiana there have been no attempts to hold up banks in counties where all banks had completed the requirements of the state-wide vigilante plan, sponsored by the Indiana Bankers Association.

Indiana is one of several states in which organization for the prevention of bank holdups and burglaries has been well advanced. More than seventy of the ninety-two counties are organized under the vigilante system. This program involves, of course, the deputizing of citizens to try to foil bank robberies and give chase to the robbers. But the Indiana plan does not contemplate that all the heavy work be done by the "vigilantes." The bankers themselves are prepared to do a little shooting.

Of course, everyone knows—most of all, the yeggs—that ordinarily bankers are poor shots. During the hunting season they may



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Banking Connections

As Standards of Judgment

It is a noteworthy fact that the standing of a bank or a business house is often judged on the basis of its banking connections. Unconsciously, perhaps, men feel that the laws of "association of kind" apply in banking as truly as they do in other phases of human relationship.

Many factors make a connection with the Guardian Detroit Bank a worth while asset—

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Revolver Practice

do very well popping scatter shells from the tranquility of a swamp, but when it comes to manipulating a pistol in a moment of excitement—well, there is nothing safe but the thing they shoot at.

The Indiana Bankers Association, principally under the leadership of its secretary, Miss Forba McDaniel, conceived the plan of holding practice shoots for the bankers. Once each year hundreds of the financial men and their sheriffs and deputies assemble at the target range of Fort Benjamin Harrison. Here they practice and receive instruction from the army officers. Silver cups and medals are awarded to individuals and to teams made up from respective counties, such prizes being given for the winners of both rifle and pistol competitions.

The shoots are a sort of picnic for the bankers and their wives. Besides, such events make fine newspaper reading for ambitious bandits. The banker who wins the cup for accurate pistol shooting also gets some assurance that the holdup men will pass him up when out looking for new business. Indeed, the county teams that win high honors in the competition have it heralded throughout the state that they are dangerous, and that, therefore, the holdup men should go elsewhere.

Miss McDaniel takes pains that the Vigilante Plan and the shoots get widespread publicity. In addition to newspaper items,

the state is placarded with flaming red cards offering a \$1,000 reward for bank robbers, dead or alive. In case the bandits do not live in Indiana or do not read the papers, they have an opportunity to learn the provisions of the reward offer from such placards tacked to trees and telegraph poles. These flaming red cards also explain to the prospective bandits just what the vigilante or town guard organization is, and what it might mean to them.

Many state associations have reward schedules, and such prize offers doubtless inspire police officers to apprehend bank robbers after the commission of the crimes. But such widespread publicity as has been given the reward plan by the Indiana Bankers Association tends to discourage the criminals before the robberies. Judging from the reduction in burglaries and hold-ups in that state within the past few years, the propaganda about organized protection and the rewards has had a marked effect in discouraging crimes against the banks.

The vigilante, or town guard, system is also being employed by banks in Iowa, whose perfect organization has been an in-

spiration to Illinois, Kansas, Oklahoma and a number of other states. In every part of the country the robberies in the counties so organized have been reduced to practically nothing.

Next to the organization of "reception committees" for bank bandits, the most effective step being taken is in the revision of the criminal codes and the bracing up of lax court methods. It is a difficult matter for bankers to get laws through the legislatures, but some of the state associations have been quite successful. Oklahoma and Kansas decided to deal very rigidly with offenders by providing the death penalty.

According to Eugene P. Gum, secretary of the Oklahoma Bankers Association, several men have been executed for bank robberies within the last year, while three bank bandits were arrested, convicted, sentenced, and began serving their terms of twenty-five years within less than four days after the robberies. Referring to their vigilante system, Mr. Gum stated that only two hold-ups have occurred in counties where the committees are organized.

In Illinois the banks had seventy-three attacks in 1924 with a loss of \$350,000. Inspired by the good results from organization in Iowa, they got busy. In 1927 the

(Continued on page 554)



Under Instruction of Experts

New York's Legal List

(Continued from page 534)

revising the New York legal list would fill a volume compact with technical details. Even minor variations from the text of the bills as drafted by our committees can seriously impair their effectiveness. As they stand we are satisfied that, as a whole, they represent the consensus of the best financial thought today. Only in amending the railroad provisions have we done less than we could wish. The legislative committee of the Savings Bank Association feels strongly that the entire portion of the law dealing with rails should be rewritten. That task, however, would alone require a year of hard labor, and the committee has therefore contented itself for the present with a few amendments.

So far as the obligations of utilities—gas and electrical companies, and telephone and telegraph companies—are concerned, we are advocating almost without change the bills introduced at the last session of the legislature. In some quarters the question is still asked whether utility bonds are proper for trustees and savings banks. On this subject I entertain no doubts. Many utility bonds make a better showing than some legal rails, and the earnings of utilities, as a class, do not fluctuate so widely as the earnings of railroads.

The legalization of equipment trust certificates is intended primarily to increase the supply of short term securities for savings banks. There has been a dearth of investment opportunities of this kind, and the recognized safety of properly created equipment certificates offers a sound and logical avenue of relief.

"Earned or Paid"

IN the field of railroad securities our committee has felt warranted in giving recognition to three classes of obligations which have heretofore been ineligible. First and foremost, where the present law stipulates that dividends should have been paid, we now favor the substitution of earned or paid.

This alteration recognizes the progress in railroad bookkeeping which has taken place since the beginning of the present century. The criterion of a railroad's position is, primarily, earnings as computed by standardized bookkeeping procedure. When the present savings bank law was drafted, the books of railroads were far from standardized, and not always frank. The legislature at that time was fully justified in insisting on the payment of dividends as the only irrefutable evidence in the long run of a railroad's soundness. Today, thanks to the Interstate Commerce Commission, bookkeeping methods have been standardized and earnings may legitimately be accepted as the fundamental criterion. There is a positive and serious objection to the old law. Its effect is sometimes to encourage railroads to disburse dividends when the dictates of sound finance would call for their retention in the system. In order to remain on the legal list, railroads have followed an over-generous dividend policy.

The committee also favors, as obviously justified, the legalization of collateral trust bonds of railroads, when the security pledged for their support consists of bonds which are themselves eligible for savings banks. Such collateral must, of course, be sufficient in volume to protect fully the principal amount of the collateral trust issue.

Finally, our committee advocates recognition in the legal list of certain terminal bonds, where protected by railroads which themselves have outstanding "legal" obligations.

Our measure covering municipal bonds sets out to revise thoroughly the existing law. It introduces numerous changes in detail, and some important changes in principle. By far the most conspicuous innovation is the recognition, given here for the first time officially, to the superior merit of municipal obligations supported by power to levy an unlimited ad valorem tax. In those parts of the country where taxpay-

ers insist, through their state constitution or statutes, on placing a limit to the tax they are willing to pay in meeting their legally incurred indebtedness, borrowing municipalities must consent to see their obligations frowned upon by New York's legal list. Our committee recommends that no municipal bonds issued after Jan. 1, 1933, where the tax backing is limited, shall be eligible for our savings banks and trustees. This will not throw any bonds off the list which are already on it; the clause will apply only to future issues. Furthermore, we recommend that the bonds of large cities enjoying unlimited taxing power be made legal regardless of the debt of those cities. This provision is based on the sound assumption that the resistance of taxpayers to the burden of an excessive debt will act as a curb long before the safety of the bonds can be called into question. Finally, this principle is given application in another instance. The present law excludes from the legal list all cities in non-adjacent states with less than 45,000 population. We would now broaden this clause so as to admit cities down to a population of 30,000, but only on condition that the communities with less than 45,000 but more than 30,000 enjoy unlimited taxing power.

Such, in briefest outline, is what the Savings Bank Association through its legislative committee, recommends for New York's list of securities eligible for savings banks and trustees. It has the expressed support of the New York State Bankers Association. Everyone familiar with the existing law concedes its obvious defects, inconsistencies, absurdities. No one, unless he has attempted the task, realizes the infinite difficulty of shaping a perfect objective criterion for defining safe securities. The program is not the casual effort of one or two persons. It is the product of years of discussion, and of the concerted labor of the best specialists in the country. It is not final, because by the nature of things investment conditions are ever in flux. But we are satisfied that it expresses fairly well the soundest judgment of our times.

Preparedness Prevents Hold-Ups

(Continued from page 553)

number of attacks was less than fifteen, with a loss of less than one-tenth of the 1924 figure. Vigilante protection and propaganda did the work!

DOWN in Texas they shoot to kill. Disgusted with years of the law's delay and the example of Ma's pardoning proclivities, the Texas Bankers Association decided that, after all, the most desirable kind of a bank robber was a dead one. So they decided to offer a reward of \$5,000 for each dead bandit.

This action of the Texas association caused much press comment throughout the country, as putting a premium on murder, but according to Secretary Philpott, of the state bankers' organization, it was brought about by the seeming inability to get bank robbers into the penitentiary and keep them there.

"The greatest difficulty is encountered," wrote Mr. Philpott in response to my inquiry, "because criminal lawyers are successful in bringing about almost endless delays, because of suspended sentences, because our governors will pardon criminals, and because many bank robbers have been able to escape from jails and the penitentiaries. We have decided that dead bank robbers are the only kind we want, and accordingly are offering \$5,000 a head for each dead one, and not one penny for a live one. Our member banks are all pledged to subscribe so much for each dead bank robber, and we are hoping in the next few months to pay for two or three good ones." Since then Mr. Philpott has remitted for two bandits who were killed in the act of burglarizing a bank in Odessa. The \$10,000 was divided among four officers.

Some of the bankers take the position that they are adequately covered by insurance and there is no need of risking their lives or those of citizens in efforts to foil robberies or run down the criminals. No doubt this attitude accounted for the great number of burglaries and holdups that occurred before the vigilante organizations sprang up. But frequent holdups mean high insurance rates for everyone, and the shaking of public confidence in the banks that are robbed. Furthermore, when bandits are particularly successful at a bank, they often repeat. The Farmers National Bank of Buda, Tex., having been robbed three times, could obtain no holdup insurance, so stockholders sold out their business to the Austin National Bank. This should be a lesson for bankers who are indifferent about the protective measures.



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A N A T I O N A L O R G A N I Z A T I O N

"What Will We Plant This Year?"

By C. B. SHERMAN
U. S. Department of Agriculture

What the Government Does to Give Farmers a Base on Which to Intelligently Plan Their Season's Work Is Embodied in the Annual Outlook Report in the Preparation of Which Many Experts Collaborate. Reports Are of Practical Use to Bankers.

TO provide a better base upon which farmers and their advisers can make plans for the coming season, and to aid leaders in the cooperative movement in formulating production and marketing programs, the United States Department of Agriculture, through its Bureau of Agricultural Economics, has issued an annual outlook report during each of the last five years.

For the farmers, these reports should help to prevent periods of serious overproduction and underproduction of the different commodities, and they should help to make the returns from farming more satisfactory. Farmers who determine what to produce and how much to produce on the basis of prices which will probably prevail at the time when the product will be ready for the market stand a much better chance of securing a profit than do those who are guided entirely by prices at planting or breeding time.

For the nation, these reports should eventually be an important factor in bringing about that widely-prescribed adjustment of agricultural production to meet demand, and in bringing about the proper balance between agriculture and other industries.

The outlook reports are based upon all available information bearing on agricultural conditions, both domestic and foreign. Every source of the Bureau of Agricultural Economics is drawn upon to make these outlook reports as accurate as possible and every effort is made to put them in a form that will be of the greatest practical use to the farming industry. The Bureau is now in position to present a comprehensive picture of the economics of agriculture from the problems of the individual farm through the problems of distribution and marketing to the more general considerations of world supply, consumers' demand, and foreign competition.

Suggestions for Changes in Acreage

SUGGESTIONS for changes in acreage are made with due regard to the fact that variations in yield caused by the season's weather conditions cannot be known in advance. The report presents to farmers and their leaders the result that is most likely to come from the present situation, in the major lines of production, as shown by a study of past seasons and experiences.

At first the outlook report was issued in February, but now it is issued late in January. The date was moved up in response

to urgent requests of officials engaged in agricultural extension work to enable them to prepare local outlook reports at an earlier date than heretofore. This new date is the earliest that can be fixed and still enable the department to make use of the results of the annual livestock survey as of Jan. 1, and certain other consumption figures which are necessary to a proper analysis of the situation. The reports cover every important agricultural commodity including bread grains, livestock and livestock products, fruits and vegetables, feed crops, sugar, flaxseed, and tobacco.

That the relative significance of all of the factors affecting the farmer's return might be properly interpreted, when the first outlook report was prepared in 1923 a committee, consisting not only of the economists and statisticians of the bureau but also well-known economists and statisticians from outside the Department of Agriculture, was organized. The entire situation was considered by this group. They then prepared and issued a summary of the data gathered by the bureau and set forth the probable trend of the next few months, as indicated by the available data, in brief and specific statements. These statements were so framed that they could be used by those who are untrained in handling large masses of material such as this report was built upon.

Beginning with 1925, the committee has been made up of economists and statisticians from within the bureau, but invitations are sent to the other bureaus of the department and to various colleges, including all the land grant colleges, to send their economists to sit with the committee and give it the benefit of their experience and judgment. Directors of extension are also invited to attend or to send representatives.

In the preparation of these outlook reports a number of subcommittees are organized, each group being responsible for certain lines of commodities. More than a month each year is devoted to this preliminary subcommittee work. The tentative reports of the commodity subcommittees are taken up, one by one, by the general committee and are given a critical review and revision before final adoption and release. The final report is a review of the outlook of the coming crop year, with probable trend. It covers the general domestic and foreign situation for all staple crops and livestock. Related economic factors are reviewed, such as costs, credit, and the use of land and labor.

Taking the Report Back

THESE outlook reports are printed in large editions and are widely distributed. They are carried back to the farmers through extension workers, officers of cooperative associations, country bankers, and other agricultural leaders, through the press and through radio. This year 50 broadcasting stations will put on a special program featuring the summary of the report on the day it is released.

Special effort is made, each year, to have the national report, which necessarily represents a national viewpoint, accompanied by a further interpretation in the light of local conditions whenever possible. This year, increased effort will be made to this end.

Each of the states has been asked to send a representative to Washington for the meeting of the outlook committee, to familiarize themselves with the data on which the statements are based, and the method used in preparing them. It is hoped that every state will use the outlook report as a basis for a localized report. This would constitute a great step forward and would greatly facilitate the local and individual use of the report. Certain states and regions have taken this action on their own initiative and have already demonstrated what can be done. Closely following the issuance of the outlook report, they now issue printed or mimeographed reports that are based on the national report but are drawn especially for their own localities. Some of these local reports cover all the commodities in the state; others cover only two or three of the most important commodities. New England as a region, Alabama, Maryland, Minnesota, Mississippi, Montana, North and South Dakota, Oklahoma, and Oregon, are among the number that have issued these localized reports.

If no local report has been issued for his territory, a farmer or his adviser must consider the national report very carefully to determine whether the general suggestions apply to conditions in his territory. The Bureau of Agricultural Economics tries always to point out this need for care and further consideration.

Bankers Can Help

MANY bankers now use the outlook report or its summary in their conferences and other work with farmer clients, and some bankers display or distribute

(Continued on page 577)



By OLIVER J. SANDS

President American National Bank and American Trust Company, Richmond, Va.

A Good Means for Educating the Small Man in Banking Methods. Develops New Accounts and a New Sense of Thrift. Merchants Like the Plan. They Say Delinquents "Will Pay a Bank When They Won't Pay Us." Cuts Down Overhead.

THE question of making loans to small borrowers by well established national banks and state banks is a matter that should be thought through and weighed from every angle—not alone from the profit-making standpoint of the bank, but from the standpoint of community service. Bankers, I maintain, should be financial fathers, guiding and educating people in the proper handling and care of money. The small borrower deserves his thought and effort as well as the small depositor.

In what better way can rampant extravagance be checked than by the insistence of bankers that credit shall be extended only for worthy purposes?

The cash chain store is the result of an unsuccessful attempt on the part of merchants to conduct limited banking functions on an unsound basis. The appraisal value given accounts receivable by bankers when credit is sought by merchants has brought merchants to a realization of this fact.

Again, how better can bankers break down the prejudice that exists between the little man and the so-called "money power" than by such service?

In offering small loans to individual borrowers, the bank simplifies the use of credit by the elimination of the third party, the merchant. The merchant should retire from banking business as rapidly as possible. Credit is the function of institutions organized for that purpose. Because of distributed payments and liquidity, secured loans of this character are as desirable as loans to merchants, for after all the merchant's solvency often depends on his accounts receivable.

Now that bankers are using advertising in its many mediums to educate people in the use of their many services, a small loan department will enable them to explain the nature of sound credit and offer loan accommodation in conformity with sound finance.

A Common Problem

THE small loan is a problem in banks in all cities, except the largest and the smallest. As bankers analyze these loans,

they find them to be not only expensive in themselves, but that they breed small checking accounts which, because of inadequate balances and disproportionate activity, are factors in unprofitable overhead.

Out of fifty-four of such institutions, twenty openly admitted the problem, twenty



You Can Correct a Bad Charge Account

If you have been unfortunate and incurred your charge accounts in such a way that you are stuck in an overpayment, or else how to correct this condition.

Creditors: If you have been unfortunate and incurred your charge accounts in such a way that you are stuck in an overpayment, or else how to correct this condition.

The members of Richmond are as anxious to help you as we are to help you. It takes time to get things straightened out, but it will be worth the effort. We will be happy to meet with you at your convenience. We will be happy to meet with you at your convenience. We will be happy to meet with you at your convenience.

Budget Your Income and Live Within It!

The
RETAIL MERCHANTS ASSOCIATION
Richmond Virginia

(Don't You Buy Anything)

A PLAN FOR THE PAYMENT OF YOUR DEBTS

The new American Plan for \$5, 10 or 15 equal monthly payments at the cost of \$3.00, \$6.00 and \$9.00 discount, respectively, with no fines or service charges.

The essential difference from ordinary loans is in the payments. It establishes a habit which will lead to systematic saving and financial independence.

Go to the American Branch Bank Most Convenient to You!

**AMERICAN NATIONAL BANK
 AMERICAN TRUST COMPANY**

RICHMOND VIRGINIA



An Example of Merchant and Bank Cooperation Small Loan Publicity

saw none and fourteen were non-committal.

The twenty who did not admit the problem either preferred to use other banks specializing in the small loan field, or made no loans maturing over ninety days.

Of the twenty bankers who admitted the problem, five were using some method of instalment loans, four were planning to use it, and eleven hesitated because they considered the rate of interest illegal in their respective states, or preferred renewals on the presumption that renewals gave them the chance to call.

Further evidence of the interest shown by bankers in solving the problem of the

unprofitable small loan is shown by the inquiries since the appearance of a short article in a bankers' magazine, covering the announcement last July of the ten-payment plan of the American National Bank and American Trust Company. Five banks in different states have adopted the plan, and, no doubt, others are giving its adoption serious consideration because, as an Indiana banker wrote, "It is an important question, second only to that of the small commercial account."

A banker in New Jersey writes, "We are frankly quite enthusiastic over the possibilities of the system, and in our own case it has been a Godsend to many workers during a period of slack business. In addition we have established a splendid contact through the opening of savings accounts and have succeeded in holding as permanent depositors 90 per cent of the borrowers at the expiration of the loan."

A Pennsylvania banker writes, "While we have never made an analysis of our small loans, we feel the problem of unprofitable loans should have the attention of bankers in conjunction with the problem of unprofitable accounts."

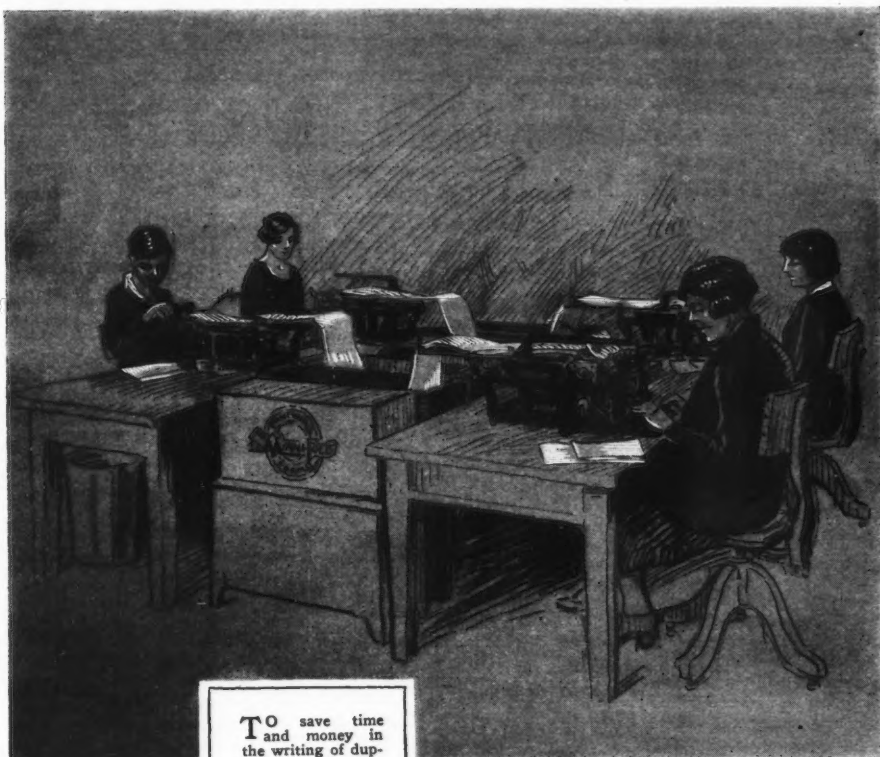
We find that many bankers have been instrumental in the establishment of Morris Plan and other instalment banking institutions, but why should bankers resort to such institutions when a department in their own banks can handle this class of business profitably and with advantage both to themselves and to the community?

Favorable features as developed by the American Bank in its short experience have been that the plan has been the source of gaining tremendous good-will. We have been proclaimed as leaders, as progressive, and as the bank of all the people. The Retail Merchants Association, through its officers, directed the attention of its credit men to the plan, and many of our best merchants use it in obtaining settlement of overdue charge accounts. Through the operation of the plan, one leading department store has liquidated \$1,200 of accounts each month for the last four months.

Both the association and some of the stores have featured the plan in their own newspaper advertising.

THE MANI-FOLD METHOD *Applied to American Banking Practice*

*Saving
Time
and
Money*



To save time and money in the writing of duplicate records The Equitable Trust Company of New York uses the Mani-Fold Method.



The illustration above shows a group of operators who, by the aid of Mani-Fold Continuous Forms, are capable of doing twice the amount of work of twice as many operators using the old system. The saving in actual dollars and cents for this group alone is surprising, to say the least, when compared with the operating costs of the former system.

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The operator's attention is not distracted by endless detail. And where they formerly typed two "individual forms" each, they can now type four and six.

The Equitable Trust Company saves time and money with Mani-Fold because production is faster, fewer operators are needed, accuracy is assured, less floor space is needed, the carbon paper waste is eliminated, and each and every form is not only a "seller" in appearance, but also economically printed the Mani-Fold way.

The Mani-Fold Method is the modern method and is already extensively used in American Banking Institutions. A request on your letterhead will bring you very interesting information.

THE **MANI-FOLD COMPANY**
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13320 COIT ROAD CLEVELAND, OHIO

When writing to advertisers please mention the American Bankers Association Journal

The Diary of a Country Banker

Last Chapter in the Life of an Emigrant Boy Who Acquired a Bank. Had Political Ambitions. He Did Not Dig In. Sequel to Sale Made in Good Faith. Much of Its Paper Proved to Be Bad and a Suit Followed. How May a Bank Be Safely Sold?

SEPT. 9, 1927.

THIS morning's mail brought to me the following note, the last incident as far as I am commercially concerned in the business career of an erstwhile prominent man:

"NEW YORK, Sept. 6, 1927.

"DEAR FRIEND:

"Your request that I permit you to sell the collateral you hold against my note is granted gladly, and I only wish I could save your good bank from any loss whatever. But it does not now seem possible. I am nearly fifty-two years old, and with bare hands and no capital I can never hope to earn at common labor enough to pay my debts. I am heartbroken and helpless. Forgive my terrible mistakes.

"Your friend, BILL HAMAN."

So Bill has gone to the "Port of Missing Men," also the port at which he landed in this country when his world was filled with mist and dreams. He was a pink-cheeked lad of seventeen with sunlit eyes and a happy heart the day the great ocean liner bumped her nose into her dock. He hunched his pack to his sturdy shoulders and, without doubt or fear, set out for the "pot of gold at the end of the rainbow."

Now, after thirty-five years of life in the wide open spaces in the Middle West; after a spectacular career from emigrant boy to banker, and then to within a hair of the governor's chair of a great state, Bill Haman is back again from whence he started, not to make a new start in life, but to just live and without taste or courage for even that undertaking.

His romantic and dramatic career began as soon as he landed out here and got his first job in a country plumber's shop. He was so energetic and happy he soon made many friends. In the course of a few years he became an implement merchant and soon mastered our language. He rose rapidly in the community to the position of leading citizen. Loyal to his family, he sent money "over there" and brought his brothers and sisters to this country, educated them and started them on the road to success.

Bill's great success filled him with pride and ambition. He was elected to one office after another. Eventually he was chosen treasurer of a great organization, which later led him into the banking business.

With a bank in his hands he soon sensed the power of credit and began to use his bank to further his personal ambitions and business enterprises. On the side (and secretly) he added real estate to his banking business.

Anon his ambitions knew no limits. As his wealth increased he dreamed of great political honors. He had a consuming de-

sire to be governor of the state. No one could offer any reason, either, why his ambitions should not be gratified. Think of the slogan, "from emigrant boy to governor" of a great state; from "plumber to banker and to governor," etc.! Great stuff! and Bill could tell the story, so it made a positive appeal to the crowd.

Everything was set. Bill only needed a few more laurels to his crown, and he was adding them on one by one. The next and last big conquest was to have himself chosen president of a great financial corporation in a nearby city.

The Crop Burned Out

JUST as he was to begin to reap what he thought were the results of a lifetime of good seeding and cultivation, the crop began to burn out on him. His big financial job proved a lemon, and when the wreck was partially cleared away, Bill was maimed for life. He barely escaped the penitentiary. Some of his seeding was bad, and he also cultivated some company that was not good. All of these incidents were not sufficient to get him clear down, but he was disheartened.

Then deflation came along and flattened out the values in real estate, and many mortgages on land sold by him to his own bank began to look bad and later proved to be worthless. Then Bill's bank turned up its toes to the corn tassels.

And again Bill escaped the penitentiary by a hair.

It was a far cry when Bill was at the zenith of his career, when his name was on the tongues of people all over the state in both political and financial circles; back to the day when, as a pink-cheeked lad, he started to find his fortune, and he came as near it, too, as most men do. He failed only as most men fail, and for the reason that he was unprepared for the conquest. Bill's method of approach was unsound and so were his principles of conduct.

When one hunts the "pot of gold at the rainbow's end" he must prepare for the campaign and seek the objective with the same care that a careful general takes when he moves upon a wily foe. He must set up reserves all along the line of approach to guard against the unexpected that always happens, and, as a matter of practice, "dig in" every now and then just to make sure tools are available and in good shape. This sort of preparation always enables one to reach the goal, and no one can stop him.

But poor Bill thought he could get it by a short cut. Like a mountaineer, he climbed from crag to crag, but unlike the experienced climber he did this without rope or pike, and to the shallow pates along the way it looked as if he would reach the top. His last and mightiest leap to what appeared

to him the peak of success was made in a blaze of financial publicity, but what he mistook for the peak of success was a fog bank.

It wasn't laughable. It was a tragedy. He could not make a new start. He had no tools and his bare hands had no cunning. He was fed up on overconfidence; had wrong ideals; great and selfish ambitions, and was now, at fifty-two, a total loss to society.

Bill lacked education and proper training in business practices, all of which proves the folly of elevating ignorant men to places of great importance merely because they bring trade to the enterprise.

He Sold a Bank

SEPT. 10

YESTERDAY I met August Yokofsky in the lobby of the bank. His handsome face wore a worried look. He had been in litigation of one kind or another for several years and a life's savings had been used up in costs.

Five years ago he sold what looked like a perfectly good national bank with \$600,000 of deposits to a furniture merchant next door for \$250 a share.

About nine months afterward the bank failed and was liquidated. In the course of time Kopisky, the merchant who purchased and paid for the bank, sued his countryman, August Yokofsky, for a large sum of money and obtained judgment, but was unable to collect it.

Then Kopisky's attorney took a quick turn and filed criminal charges against August for obtaining money under false pretenses.

The plaintiff offered the fact that the bank was declared insolvent by the Comptroller nine months after he purchased it; proved by witnesses that claims were made that the notes were good and the stock was worth the price.

The defense, on the other hand, proved by witnesses that plaintiff sought to buy the stock through his brother-in-law, who was cashier of the bank and also a brother of Yokofsky, and that he knew the people who owed the notes, and passed upon their credit as a merchant during the last twenty years. Yokofsky proved also that the plaintiff's brother-in-law and cashier of the bank thought the bank stock was worth the price by purchasing part of August's stock at the same time and at the same price. And it was further shown that the assistant cashier purchased stock at the same price at the same time, showing that not only August but his officers all thought the bank was solvent.

But as the jury looked at the well-dressed, handsome August Yokofsky before the bar and contrasted him with the plain home-

The Luthy Check Stub

Simple Convenient Labor-Saving

No. _____	Balance in Bank
Deposits {	192. _____

	\$ _____
No. _____	192. _____

	\$ _____
No. _____	192. _____

	\$ _____
	Balance in Bank

Pat'd. Sep. 1, 1925

Reduced Size

ADAPTABLE TO ANY NUMBER OF CHECKS ON THE PAGE

No. 342	Balance in Bank	1,409	10
Deposits {	Dec. 1, Cash/dept.	510	15
	" 1, Proceeds of Note	985	00
	" 2, Collection by Bank	342	06
	Dec. 1, 1925	3,246	31
	First National Bank		
	Stuart Grocery Co. Draft		
	Mdse. 40		
	Journal 152, Voucher 608		
	\$ 347.86		
No. 343	Dec. 2, 1925		
	Hollywood Coal Co.		
	November Coal Bill		
	Expense 40		
	Journal 153, Voucher 609		
	\$ 92.43		
No. 344	Dec. 2, 1925		
	Central National Bank		
	Note due Dec. 1		
	Bills Pay \$500. Int. 750		
	Journal 154, Voucher 610		
	\$ 507.50	947	79
	Balance in Bank	2,298	52

Pat'd. Sep. 1, 1925

Reduced Size

The advantages of this check stub are as follows:

1. It has a space, as no other stub has, at the top of the page, immediately below the Balance in Bank, for entering deposits.

2. It automatically sets the deposits, totals and balances all in their logical positions in the same money column which no other check stub does.

3. It is adapted for the double purpose of keeping in the check book the original record of the check data and a brief, auxiliary bank account to guard against over-drafts.

4. Its arrangement is so simple, so convenient and complies so perfectly with accountancy as to be almost self-explanatory.

5. The process for keeping such bank account is so labor-saving that it does not require a single avoid-

able figure or computation. Other forms require up to more than double its labor.

6. As the stub serves the double purpose, it will relieve banks of having to provide check books with other than this one kind of stub.

7. It will greatly facilitate making out an individual's income tax returns, as by depositing all one's receipts in the bank, at the time received, makes the stub a complete and convenient income record.

8. So to deposit all one's receipts in the bank is conducive to the depositor's safety and thrift and is advantageous to the bank.

9. To save the trouble to banks, printers can obtain the right to make the stub from the undersigned. The charge is small compared with the advantages.

The Stub Has No Equal

Chas. T. Luthy, Peoria, Ill.
610 W. Armstrong Ave.

Inquiries from Banks and Printers will receive prompt attention.

When writing to advertisers please mention the American Bankers Association Journal

PARAPHRASED PROVERBS

■

**A Bank is honored
to the extent that it
is permitted to serve
its own neighbors**

■

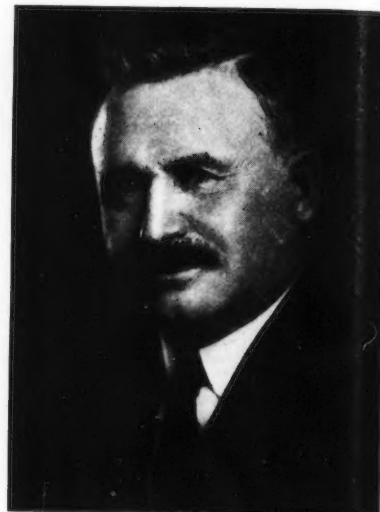
In Philadelphia there is little or no inter-bank affiliation nor representation of non-members in the Clearing House by member banks.

We regard it, therefore, as a significant and convincing tribute (by those who know us best), to the efficiency of our transit and collection facilities that we carry the accounts of sixty-seven "non-member" local banks and serve as the active collection agent of fifty of this number.

■

THE
**PHILADELPHIA-GIRARD
NATIONAL BANK**
PHILADELPHIA, PA.

Capital, Surplus and Profits . . . \$29,000,000



Senator Peter Norbeck, Chairman Senate Committee on Banking and Currency

Diary of a Banker

(Continued from page 560)

spun merchant who purchased his bank, it took them just three ballots to convict August of obtaining money under false pretenses.

Yesterday the drawn face of August, when he appeared and appealed to the court for a parole on the ground he had made satisfactory restitution, showed the effect of years of struggle in courts.

The agreement between the litigants was explained to the judge, and a parole was granted, and August escaped.

Both litigants are impoverished and embittered, but it may be they are compensated by their added wisdom.

The question is, How can a bank be safely sold? A friend today tossed on my desk two certificates of stock in a great American bank for 156 shares. He gleefully asked for a bid on the stock. Being saturated with August's experience, I was cold on the proposition. Then he told me he was offered \$90,000 for the 156 shares.

"Is it worth the price?" I asked.

"It is," he countered snappily.

"What's the book value?" I inquired with premeditation.

"Sixty thousand," he answered.

"But you say it's worth \$90,000?"

"Sure it is. I can get that."

"Yet," I said, "a jury of twelve alleged peers found August Yokofsky guilty of obtaining money under false pretenses on a sale that looks like your offer."

Then I told him a safe way to sell his stock would be to put a paragraph like this in the sale agreement:

"It is further agreed that the seller of this stock makes no claims whatever as to its actual value; that he avers the price may not bear any relation whatever to its actual value, and that in fact it may be proven that the stock is worth less than the price asked, or may be proven to be entirely worthless in the end. The buyer of this stock further agrees that he will not sue me or prosecute me criminally as a result of this transaction, but that he will take his medicine like a man should the stock prove to be worthless."

My friend thought my suggestion a good joke, but after hearing August's story he said: "Gosh! You may be right."

Guaranteeing Letters of Introduction

By C. W. STEVENS

Assistant Cashier, Old Colony Trust Company, Boston

THE article in the July JOURNAL by Mr. Fred W. Ellsworth on letters of introduction was very interesting and prompts me to tell your readers about some of these letters we have received.

One busy Saturday morning we had a call from a very important-feeling man, who presented a letter of introduction inclosing a specimen of his signature. We were asked to cash his check for a large amount. The bank giving the letter was a depositor with us, and we had their signatures on file, one of them checking with the one on the letter; but we did not feel that we should cash a large check without a confirmation, so spent some of our good money on a long distance call to help a depositor of another bank, and eventually cashed the check.

In another instance we received a letter from a large metropolitan bank, asking us to cash checks for one of their good customers. No mention was made of a limit, and nothing was said about guaranteeing the payment of the checks we had cashed. We wrote the bank and asked for its guarantee, together with the limit of the amount we were to cash, and it flatly refused to give us any instructions or to take any responsibility.

Not being able to see why we should take the responsibility when cashing checks for the customer of another bank, we refused to honor any checks.

ONE morning we received a letter from a good friend on the Pacific Coast, telling us that a good customer of his bank was coming East, and asking us to extend him any courtesies possible; but made no mention of cashing checks for him.

The man called, signed signature cards, and was ready to open the account. He then said he would draw a draft on his firm in San Francisco for \$5,000. He was going to issue some checks right away, although it would take us at least six days to get a wire that the draft was paid, and ten days to get our money. We did not have a copy of his signature, and the letter of introduction did not tell us anything about him.

During the course of our conversation, he mentioned the name of one of our good customers, and I managed to get one of our men to call, obtaining a description of the man sitting at my desk, and found that he was a very wealthy man.

There was still an uncomfortable feeling about accepting the draft, and having this man draw against it for several days before we knew it was good, so we wired to the bank on the Pacific Coast for information. This was the answer:

"Mr. So and So a very valued client; accept and allow him to draw against his drafts up to \$25,000."

Some relief, but why did not this bank give us some instructions in a letter under separate cover—thus saving the cost of two wires plus a lot of embarrassment?

We had a letter from a bank stating that

Mr. Blank was coming to Boston to represent one of its good customers, and asked us to cash checks for him. However, it said nothing about guaranteeing payment of them. When we wrote and asked if the bank would guarantee payment, it refused.

We then told them that we would not cash his checks and required that he open an account.

These samples are cited to show that Old Colony Trust Company considers it is responsible for its own customers, and that other banks should be for theirs.

WE never give letters of introduction except to depositors who have our confidence, and then give a letter reading something like this:

Mr. John Jones, Cashier
Blank National Bank
Newton, Nevada

Dear Mr. Jones:

We have pleasure in introducing the bearer of this letter, Mr. Frank Lee, a valued client of many years' standing.

Any courtesies extended to Mr. Lee will be greatly appreciated.

Very truly yours,

Under separate cover we send a letter telling the bank what we would like to have them do for our customer.

Mr. John Jones, Cashier
Blank National Bank
Newton, Nevada

Dear Mr. Jones:

We are enclosing a specimen of the signature of Mr. Frank Lee, to whom we have given a letter of introduction to you today.

Mr. Lee is a valued client of many years' standing.

He expects to spend some time in your city, and if you will cash his checks to the amount of \$500 in any one day, until December 1, 1927, we will guarantee payment.

Any courtesies extended to Mr. Lee will be greatly appreciated by us.

Very truly yours,

IF our customer has some special business or information he wants assistance to get, we always ask the bank to get it for him, if possible.

We can all make it more comfortable for our customer, and the bank to whom we send our customer, if we are very explicit in our introduction, sending the signature and all the necessary information under separate cover with a definite amount of checks to be cashed, and a day to terminate the arrangement, so that the files can be cleared.

If a customer's account or reputation does not warrant your giving him a letter of introduction, either tell him so, or, that you do not have a correspondent in the city where he wants a letter.

Trust Companies Conference and Banquet

THE ninth mid-winter trust conference of trust companies from all parts of the United States will be held under the auspices of the Trust Company Division, American Bankers Association, at the Commodore Hotel, New York City, Feb. 14, 15 and 16. The annual banquet will take place on the evening of Feb. 16.



BANKS and banking institutions, in common with other businesses are constantly faced with two problems, the solution of which is vital to the successful conduct of business—

1—Protection against loss

2—Reduction of expenses

Our Bankers' Blanket Bond, through the broad coverage it affords, is an answer to the first problem, and, because its cost is moderate, of material assistance in solving the latter.

May we have our agent in your city give you the facts?

**United States Fidelity
and Guaranty
Company**

BALTIMORE, MARYLAND

Over 7,500 Branches and Agencies
in United States and Canada

Chicago's Largest Bank

Foremost in resources,
invested capital, in de-
posits, volume of
business, in number
of bank correspondents

**CONTINENTAL
NATIONAL BANK
& TRUST COMPANY
OF CHICAGO**

Germany's Road

(Continued from page 530)

fact that individual municipalities see only the expenditure incurred by themselves, whereas the Reichsbank surveys economic and currency problems as a whole.

I therefore consider it essential that Germany should have clear detailed knowledge of her municipal finances before any more loans of his class are contracted abroad. To say so is not to entrench upon the principles of local self-government, still less to decry the federal constitution. No German could contend that local self-government or federalism should be allowed to prevent healthy financial and currency policy in the Reich.

The Reichsbank's attitude toward public foreign indebtedness, as distinguished from the indebtedness of private enterprises, ought to be easily understandable. Public enterprises produce foreign exchange on a very small scale. The production of foreign exchange is left to private enterprise. In this respect private enterprise is staking its own existence, whereas public enterprise is risking the life of the business population.

If Foreign Loans End

THIS will be especially clear if we ask ourselves how the foreign exchange needed for the interest and amortization of our debts, for cash transfers, and for the financing of adverse trade balances, is to be obtained by Germany if and when new foreign loans some day cease to flow in. If at that juncture the foreign exchange supply which is normally produced by trade and industry proves insufficient to meet our liabilities, and if the Reichsbank therefore has to part with its foreign exchange holdings, and to make a correspondingly severe reduction in its note circulation, a serious business crisis will result. The foreign exchange would have to be produced at all costs; our goods would have to be sold abroad at any price, and employers and employees would have to make the greatest sacrifices. Reichsbank policy must be directed toward preventing such crises as far as possible, and it is therefore the duty of the Bank to utter a timely warning against excessive foreign borrowing.

The Reichsbank cannot adopt the light-hearted attitude of those persons who say: "Go on borrowing as long as you can, and let the future decide whether when the settlement day arrives we shall be able to produce the necessary foreign exchange or whether we shall be obliged to declare our inability to pay."

No one in Germany is prepared to contend seriously that if we continue our present policy of foreign borrowing we shall be able to produce the necessary foreign exchange without a serious crisis—if we can produce it at all. And no one is prepared to contemplate seriously even a temporary failure of Germany to meet her international obligations. That is why we are led to the conclusion that excessive indebt-

edness abroad must be avoided by economy and sound administration at home.

The Question of Priority

THE Dawes Plan left the definite fixing of our reparation liabilities still unsettled. Sensible people throughout the world agree that this state of affairs cannot continue ad infinitum. It would, however, be a great mistake to raise now—before the expiration of the four test years—this still open question. I very much hope that the recent discussion in the international press as to the respective priority of transfers for private and public loans will not make it difficult, or even impossible, to execute the plan loyally during the four test years.

To me the entire discussion on the priority of transfers seems quite beside the point. Everyone will acknowledge—and the Dawes Plan itself with wise foresight recognizes—that foreign loans were and still are absolutely essential to the recovery of Germany, at any rate during the period of transition. Industrial prosperity and the highest possible agricultural production are necessary conditions for the execution of the plan. The influx of a certain number of foreign loans (not excluding a certain number of loans by public enterprises) is inevitable for this purpose; and if Germany has hitherto shown, and will continue to show, complete loyalty in executing the plan, she can and must expect a similar loyalty on the part of our political creditors.

It is unfortunate that during the war and in the peace treaty we witnessed the most unjust and foolish attacks upon private property. These attacks were undoubtedly one reason why the Bolshevik wave temporarily rose so high. I even assert that the attacks on private property gave Bolshevism the appearance of a moral excuse. Since the end of the struggle on the Ruhr, since Geneva and Locarno, we have all returned to common sense. Under no circumstances, therefore, can I conceive of any new political regulation by which the owner of a German loan coupon in the United States or elsewhere—no matter whether the coupon was issued by a public or a private borrower—could be prevented from collecting the interest on the coupon by forbidding Germany to make the payment. The political power that would attempt to so regulate things would completely and at a single stroke annihilate its own credit.

Comfort for the Lenders

SO long as a highly civilized nation of 60,000,000 is not artificially hampered by external political intervention in the peaceful prosecution of its work, so long as private enterprise in Germany is conducted by capable, honest business men, so long as German public finance is administered economically on sound principles, so long as these conditions obtain, no one who has trusted Germany financially will be disappointed.

But the impossibility of graduating the priority of different categories of German loans in the matter of transfers places a correspondingly greater responsibility upon us in the matter of foreign indebtedness. The pace in which we indulge, even in neces-

Evidence of the leadership of MILWAUKEE CHAIRS



IT is a fitting tribute that so many big banks and business institutions in selecting office equipment, place Milwaukee Chairs unqualifiedly first among all others.

This favor is final in its meaning, because the men back of these institutions are real judges of that which is worthy and most suitable to the particular use for which it is selected.

Milwaukee Chairs are therefore chosen particularly for their utility, their dignity and refinement, and for their sturdy character—clear evidence of the leadership of Milwaukee Chairs, whenever or wherever quality is the first consideration.

It will be a pleasure to submit photographs of Milwaukee Chairs suitable for your purpose. Out of the great variety of these famous chairs there are those which will harmonize and fit right into your surroundings. A letter to The Milwaukee Chair Co., 624 S. Michigan Ave., Chicago, will bring a representative to see you.

MILWAUKEE CHAIRS

Our Record for 1927

During 1927 we opened four branches, making a total of six, all convenient for both local and out-of-town customers. Fifty prominent business and professional men are serving these branches as Advisory Board Members.

Our Program for 1928

During 1928 we shall move our main banking office into the heart of the financial district, occupying a new building at 165 Broadway. We shall be better prepared than ever to serve our customers here and abroad.

**THE
CHEMICAL
NATIONAL
BANK
OF NEW YORK**
FOUNDED 1824

BROADWAY AT CHAMBERS, FACING CITY HALL
FIFTH AVENUE AT 29th STREET
MADISON AVENUE AT 46th STREET
BROADWAY AT 44th STREET
FIFTH AVENUE AT 54th STREET
EIGHTH AVENUE AT 57th STREET
COURT AND JORALEMON STREETS
(BROOKLYN)

sary foreign borrowing, must be voluntarily restricted if the German money market is not to pass entirely out of the control of the Reichsbank and to be at the mercy of the arbitrary desires of borrowers. The excessive influx of foreign loans in 1926, at a time when the market was not in any inordinate need of funds, led to a cheapening of short-term money on the home market; as a result the Reichsbank lost touch more and more with the money market, and it was finally compelled to reduce the discount rate in January, 1927.

Although the new discount rate of 5 per cent was designed to reduce the influx of foreign money, and although the Reichsbank showed itself willing to place the abundant supply of foreign exchange accumulated in 1926 at the disposal of busi-

ness in return for bills, the banks nevertheless took up a large amount of foreign short-term money and used it to expand their credit, until they compelled the Reichsbank to raise its discount rate again.

This shows that the discount policy of the Reichsbank does not as in pre-war days depend primarily upon the development of domestic business, but is to a very large extent influenced by the arbitrarily manipulated influx of foreign credit. The resulting danger to the money and currency policy of the bank can only be exercised if all Germans who hold leading positions, whether public or private, realize their responsibility.

Germans, who were so long accustomed to being guided from above, today suffer from a lack of the spirit of voluntary co-

operation. We are entitled on the one hand to appeal to the ideal of freedom and to protest against tutelage; but on the other hand we must strengthen our own sense of responsibility to the community. We cannot blame the authorities for mistakes if we claim for ourselves the right of irresponsible and selfish action.

Irresponsibility Cited

OUR lack of a sense of responsibility is visible in many quarters. It was shown when private enterprise incurred short-term debts abroad at the expense of the native currency, that is when the Government and the Reichsbank were trying to stop the influx of foreign loans. It was shown by the Stock Exchange boom. Then, owing to extreme scarcity of capital, 7 per cent mortgage bonds were barely at par, yet a shares boom was created purely on credit, and the public was encouraged to run into debt for the purpose of acquiring shares which did not yield 3 per cent. It was shown when one municipality erected palaces at a cost of many millions and also purchased private estates, while in the same breath it declared that the Reichsbank's opposition to a proposed foreign loan prevented it from building dwelling-houses. It was shown when the public authorities accumulated huge funds by means of exaggerated taxation, and employed these funds in credit transactions or in the purchase of private undertakings. It was shown when one state bank claimed a share of these public funds on the ground that they were to be made available for local enterprise within its own state, and yet left these funds for months at a time at the disposal of the Berlin Bourse.

It is high time that these practices should be abandoned. I therefore strongly welcome the Reich Government's declaration, in its reply to Mr. Parker Gilbert's Memorandum of October, that it intends to make a clean sweep of all the above-mentioned remnants of the inflation years. It is equally to be welcomed that the government on Oct. 7, 1927, declared: "In view of the present position all expenditure which is not urgent or which is uneconomic will be absolutely avoided, independently of whether it is to be financed from foreign loans or from any other resources."

If Germany acknowledges the mistakes which she has made and shows a will to learn from them, she will certainly hear a fair judgment from the outside world. For no nation has ever been called upon to solve problems as difficult as those which confronted Germany after the war. The world must acknowledge that in attempting to recover our pre-war social and economic position we practised superhuman self-sacrifice, showed an iron will to maintain order, and performed unparalleled hard work. We in fact did more than anyone could have expected. Germany is today one of the most efficient contributors toward international recuperation. In the future also we shall prove that we have the strength and the will to remain a free, democratic nation in the midst of the European political maelstrom, in other words to remain a nation conscious of its own responsibility.

Trust Service

(Continued from page 522)

whole-hearted reception given them proved beyond a doubt that practically every person who has property is susceptible to an appeal of this kind, and that he can be reached and his trust business secured.

The great success which attended these club meetings proved conclusively that clubs and similar organizations provide a way by which a trust company can reach the public and interest hundreds of people in trust services. These meetings also proved that the average citizen is woefully ignorant of trust matters, although well informed about business in general.

Talks Furnish Material for Publicity

BUT the plan does not stop here. In fact, Mr. Roseberry's appearance before clubs is but a preliminary step to a greater plan to follow. In addition to awakening an interest in trust service among those attending, the addresses were published in the local press and in the bulletins of the different groups addressed, and in this way other hundreds became interested. Following the deliverance of an address, the highlights of the talk, carefully prepared by the publicity department of the bank, were furnished to the local press, and because they contained so much that was enlightening as well as interesting, they were given prominent positions in local newspapers. But the publicity, like the lectures which preceded it, was only a preliminary.

(Copy of article which appeared in paper of a nearby town.)

"High Lights of Instructive Talk by L. H. Roseberry

"Speaking at the meeting of the Compton Rotary Club last Tuesday noon, Senator Louis H. Roseberry, vice-president and manager of the trust department of the Security Trust & Savings Bank, emphasized the great care to be used by an individual who is drawing a will, and the wisdom to be exercised in choosing the executor of that will.

"As an authority of nation-wide fame on trust affairs, Mr. Roseberry's suggestions on the drawing of a will received close attention from his audience. In the course of his address, Mr. Roseberry said:

"Too often the memory of an otherwise estimable friend or citizen is sullied by the fact that he neglected to leave adequate protection for his dear ones. No matter how much money one may have accumulated before death, it may be of little benefit to those who need it, unless its proper distribution and conservation is insured by a good and valid will.

"Your will should be carefully and intelligently planned. It must be made to conform with the laws of the state of domicile. Your will should be made while you are still in good health. Sickbed wills are often faulty wills. Procrastination has often been the cause of unnecessary suffering on the part of the dependents left behind.

"A will should never be drawn while the maker is in anger. It is a matter which should be attended to with calm deliberation and with intelligent regard for its ultimate effect. "Spite" wills are a curse of the probate courts, and frequently a cause of unending litigation and misery to the very person whom the testator sought to benefit.

"Avoid trouble-breeding, unjustifiable discrimination between heirs. It may result in just the reverse of what you wish to accomplish. Let it be apparent from the very spirit of your will that it was drawn in cool judgment, without malice, and with honest intent to be fair and just with everyone concerned."

"Speaking of the proper methods to be used in making a will, Mr. Roseberry said:

"The distribution of your property will depend to a considerable extent upon its legal character, for example, whether it is community or separate

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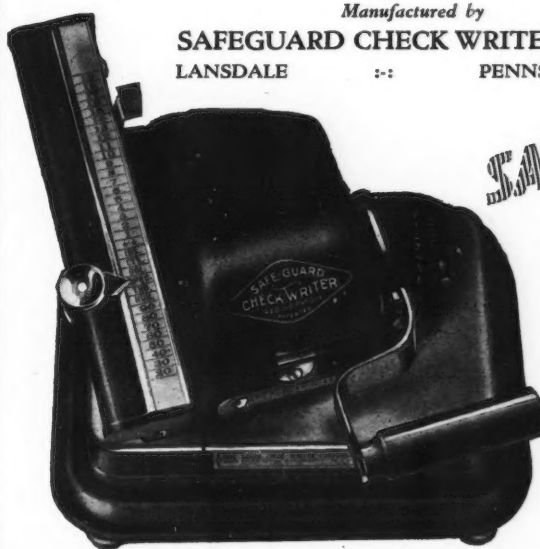


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Banks Endorse Credit Insurance

Representative banks in all parts of the country are recommending this great protective service for safeguarding their customers against bad debt losses.

A Leading Boston Bank writes: "Credit Insurance not only places merchants in a more favorable position with reference to credit granting by their banks, but also gives evidence of a policy of conservatism in providing against failures at all times."

A Leading Bank of San Francisco writes: "A borrowing account carrying with it a measure of Credit Insurance on its receivables is a far better credit risk in every way than without."

A Prominent St. Louis Bank writes: "Inasmuch as the annual turnover of a merchant is several times the value of his stock on hand at any given time, it is of vital importance that his credit accounts be insured against unusual loss through bad debts."

A National Bank of New York writes: "We have incorporated in our financial statement blanks the question: 'Do you carry Credit Insurance?'"

Interesting literature, and any specific information about American Credit Insurance which may be desired, will be furnished gladly to any Banker upon request.

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K 136

property. Do you realize that, should you fail to make a will, the whole of the community property will go to your surviving husband or wife, as the case may be, and that your children will get no part of it? You should know also what proportion of your separate property will go by law to your widow and children, irrespective of the terms of your will.

"The selection of the executor of your will is by no means an unimportant consideration. The executor can either administer and close the estate promptly and economically, or through carelessness or unfamiliarity with the work he can let it drag on for years at increasing expense, and with possible accumulating losses to the heirs. The work of administering an estate is highly specialized. No one should be entrusted with this excepting a well qualified, responsible and safe executor. A trust company embodies these ideal requirements, but few individuals do. The compensation of the executor is fixed by law, and is no greater if you employ an expert, responsible and efficient executor than if you employ the opposite kind. Sentiment, business or family relationships should be a secondary consideration in the selection of an executor. The countless wrecks of estates entrusted

in the hands of friends and relatives are forceful testimony of the care to be exercised in the selection of an executor of one's will."

Follow-Up Meetings

THE appearance of a speaker before a club meeting was always closely followed by a second meeting on the afternoon of the same day. This second meeting was held at the nearest branch of the bank.

The second meeting was for the dual purpose of concluding a discussion which time did not permit being finished at the first meeting, and to more directly tie the bank's trust service into the discussion and pave the way for definite appointments with those present. Thus, before concluding an address before a club meeting, it was the speaker's

custom to extend an invitation for those interested in a further consideration of the subject, or who would like to ask questions, to meet with the speaker for a second time at the bank, at which time questions would be answered and the administration of property explained more in detail.

Having already aroused the interest of his listeners, it naturally followed that a majority at least desire more light on the subject, especially with reference to points which bear directly on their own cases. Usually the number of those who attended these hold-over meetings exceeded all expectations, all available space at the bank being taxed to its capacity.

In those communities where there were no club meetings, branch bank gatherings were held after a selected number of representative citizens of the community had been apprised of the meeting. A variety of mediums were used to bring out a good attendance. Personal letters were used with good results. The following letter proved very effective:

Dear Mr. Nelson:

As an added service to our customers and friends in this community, we have completed arrangements to bring the facilities of our trust department to this branch.

We are inviting a limited number of our friends to an introductory meeting to be held here in the bank at 4 p.m. on Friday, Sept. 16, 1927. At this meeting, Mr. L. H. Roseberry, vice-president and manager of our trust department, will give an intimate talk on the protection of property rights, the effect of the recently amended community property law, the business planning of wills, the methods of legally securing economies in inheritance and estate taxes.

It gives me great pleasure to invite you to be present at this meeting, and I will appreciate it if you will let me know at once whether you will be able to come, using the inclosed card and return envelope for the purpose.

Cordially yours,

Note that a reply is requested. In order to make it easy to send in a reply, a carefully prepared card was inclosed with the letter. All that the person receiving the letter had to do was to sign the card and mail it.

In other cases a neatly printed announcement was sent out by the branch manager. The following announcement is typical of the printed notice:

Important Announcement

"The Security Trust & Savings Bank is glad to announce, as a part of its service to this community, that Mr. Horace W. Runkle, a qualified trust representative from our head office, will be at this branch every Wednesday afternoon for the purpose of conferring with people of this neighborhood on wills and other matters of a trust nature.

"There is no greater satisfaction than to know that one's affairs are in order at all times. It is a duty which we owe to our families and our dependents. The extension of Security Trust services to this community will make available to you in your own neighborhood the advice and expert services of men trained in trust matters, backed by the responsibility of a \$250,000,000 bank.

"Trust services include the planning (but not the drawing) of wills, methods of legally securing economies in inheritance and estate taxes, and also the handling of real property and securities during lifetime, as well as the many other functions which the Security Trust Department is able to perform for its customers to their advantage.

"Our trust department is known throughout the United States for its skillful, conscientious management. It handles all property and money entrusted to it safely and efficiently, and it produces the highest income from its trusts consistent with safety, yet its charges are surprisingly moderate.

"Appointments may be made for any Wednesday afternoon upon application to this bank by letter or telephone, or by personal call. Consultations will be held in confidence, and without obligation of any kind."

In some cases printed invitations were sent out by the Business Development De-

partment of the bank to a list of local residents, who had first been selected with great care by the branch manager of the branch where the meeting was to be held. In other cases invitations were given over the telephone by the branch manager. In still other cases printed invitations and the telephone were used conjunctively.

The average number of persons who attended these meetings at the branches was 150—not a large group, to be sure, but all hand picked, figuratively speaking, for a majority of them had good-sized estates and already manifested an interest in protecting them.

Follow-Up After Second Meeting

AN important point which was not overlooked was that of getting the names and addresses of those who attended the branch bank meeting, in order that the bank could follow up the work which it had so well begun. Gradually the confidence of those attending these local meetings was being won—gradually they were being made to realize the advantages of trust services over the services of individuals—gradually they were reaching the point of a decision to act promptly in making a will or trust.

As at the first meeting, the speaker before this second meeting treated with the subject of estates, enlarging on certain phases, explaining others more in detail and answered questions. Needless to say, question after question was asked, and either answered immediately or the answer withheld until some difficult point of law could be looked up.

The Third Step

IN concluding, the speaker cordially invited those present to make appointments with the branch manager for private interviews regarding their own individual estates. All without obligation to them, he explained. He also introduced to his listeners his representative, who was to be permanently in full charge of trust service in that community. It is at this point in the plan that it begins to produce good results in large quantities. Appointment after appointment was readily scheduled, as the necessary preliminary work had been well done.

Before moving on to another community, Mr. Roseberry placed in charge of the work so well begun one of his especially coached representatives, whose duty it was to develop the territory in cooperation with the branch manager. Thus it became the duty of the man left in charge of the trust work in a certain territory to concentrate his time, effort and talent on those who attended the bank meeting, and endeavor to get their trust business. It was his opportunity to make good. The preliminary work had been done by his leader, the harvest was ripe, and it now remained for him to gather it in.

The few who did not ask for private interviews were later called on the telephone or called on at their places of business or homes. No time was lost, and all follow-up work was carried forth with dispatch.

The work was followed up from time to time; those who had not made wills or trusts were sent various pieces of trust lit-



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Design
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An increase in deposits of more than \$1,500,000 during the first year of occupancy, proves that a new building is a deposit builder.

A SOUND INVESTMENT

Now over 85% rented, this building—the pioneer Class-A type office building in a mid-western city—is a sound investment and a satisfaction to its owners.

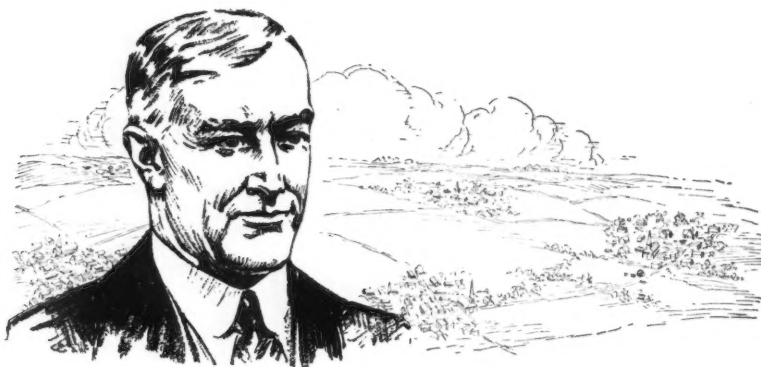


WEARY AND ALFORD COMPANY

BANK AND OFFICE BUILDINGS

1923 CALUMET AVENUE
CHICAGO





His Bank Found a Local Bond Market

THIS bank president in a county seat found ample opportunity to loan money, but the loans were frequently slow, and at best their yield did not leave much margin after overhead and the cost of invested capital.

In the face of increasing local competition, he finally laid the problem before this Bank. "In every prosperous community," we told him, "there is a potential market for good securities,

a large part of which will logically be taken over by the local bank that provides an adequate investment service."

Our Bond Department helped the banker to chart his securities market and open a selling campaign. Without greatly increasing his overhead, he has been able to keep large sums of money at home and build up an investment business that runs into six figures—a highly profitable new service.

1896



1928

FREDERICK H. RAWSON
Chairman of the Board

HARRY A. WHEELER
President

CRAIG B. HAZLEWOOD
Vice-President

UNION TRUST COMPANY CHICAGO

erature, the following letter proving quite effective:

Dear Mr. Milton:

Some time ago we had the pleasure of mailing you a special announcement of the appointment of Mr. H. W. Runkle as trust representative for the Arlington Heights branch of the Security Bank. Mr. Runkle is now devoting every Wednesday to consultations with friends and customers of this bank concerning their wills, the management of property and the administration of trust funds for dependents, and other matters of a confidential fiduciary nature. These consultations are entirely without charge and involve no obligation whatever.

It has occurred to me that you may wish to take advantage of Mr. Runkle's presence here next Wednesday to confer with him regarding some such matter in which his specialized knowledge may be of assistance, without any obligation, of course, on your part. I would be glad to have you use the inclosed appointment card, if you care to do so. If you will fill in a convenient hour and return it to me, I shall see that Mr. Runkle holds that time open for you.

Cordially yours,

Manager.

P. S.—If you do not find time to come next Wednesday, I will be glad to arrange a later date if you will 'phone or write me.

Thus, through a carefully worked-out system, many hundreds of men and women of good standing in each community within the 1500 square miles embraced by the bank were interested in trust services and made to see the importance of immediate action.

There may not be anything new under the sun, but the large results which Mr. Roseberry has received proves that his plan of taking the trust service to the communities within the territory served by his bank is a great improvement over the old way of getting trust business—by waiting for the public to call.

Two young men, who were the first to receive allotments of territory, secured in October and November over \$7,000,000 of trust business as a follow-up to the preliminary work done under this plan. These cases prove that for good results it is necessary for the downtown trust company to

take its services to the people residing in the community.

As to the future for this work so well begun, it is safe to say that with a representative assigned to each branch, there will be no slacking up in the bank's efforts to secure trust business.

My observation leads me to offer this suggestion: continue the use of booklets, letters and advertising for trust business, and continue to cooperate with attorneys, but in order to round out your program and give it a "punch" that will get definite results from those who do not ordinarily respond, emulate the splendid work which Mr. Roseberry is doing, and take your trust service to the communities within the territory served by your company. The business is there. In fact, it has been there for years, although dormant. If it has not come into your downtown office, it may never come in, so take your service where the business is and you will be astonished at the good results you will secure.

Bad News for Bandits

THE New Mexico Bankers Association has taken up with its members the question of creating a fund to be used for the payment of rewards for the apprehension of bank robbers.

A. H. Gerdeman of Las Vegas, president of the association, has contributed \$25, and urges that other member banks give a like amount to the initial fund, which will be replenished, if need be, by additional assessments. He suggests a standing reward of \$500 for each robber caught and convicted, and \$1,000 for each one killed.

Vermont Flood Loans

NEW ENGLAND bankers have taken up their part of the task of raising \$1,000,000 in credit for agricultural, commercial and industrial establishments in Vermont which were damaged by severe floods in November. Subscriptions to bonds of the New England Flood Credit Corporation are being received. One-fourth of the \$1,000,000 credit is to be subscribed by Vermont banks and the remainder by banks and business interests of the other New England states and in New York, where banks specifically requested participation.

Rules of the corporation, which was established by a committee of bankers selected by the New England Council, an organization of financial, commercial and industrial leaders, provide that no money shall be loaned by the corporation, but that loans for rehabilitation purposes shall be guaranteed; that no guarantee shall be made on a loan which should be a bankable loan; that no guarantee shall be made for an amount in excess of 75 per cent of the loss as finally determined, the remaining percentage of the loss to be borne by the lending bank, and that no interest in excess of 4½ per cent shall be charged on any guaranteed loan.

Thomas P. Beal, president of the Second National Bank of Boston, is president of the New England Flood Credit Corporation.

Run on Gold

(Continued from page 521)

gathered it up by law from their own peoples out of secret boards and even through the melting down of rare plate and jewelry. At other times it came from unknown sources—a large volume of it was suspected of being part of the proceeds of the world's greatest bank robbery—that is, part of the \$600,000,000 hoard of the Imperial Bank of Russia, which was looted by various military and revolutionary leaders who seized power subsequent to the downfall of the Czar.

This gold was the central object in a lurid and melodramatic succession of subsequent events, involving battles with the swelling hordes of the Red armies, the secret flight of a treasure train, a midnight wreck that scattered the gold broadcast, a seizure piecemeal by guerilla bands and its final disappearance into the world's trade currents. Although officially this country shut its doors against this robber gold, it is now known that some of it by indirect and devious channels found its way into the rising gold stock of the United States.

At times gold flowed into the United States in the years subsequent to the war in annual volumes ranging from over \$250,000,000 to almost \$700,000,000 in a single year. A major reason driving it to the United States was the fact that the war-torn nations of Europe were unable to produce sufficient goods themselves to supply the consumption needs of their populations, had exhausted their credit in the United States and, therefore, had to pay cash for their continuing purchases here. Again, unsettled monetary and financial conditions, with a world-wide abandonment of the gold standard, caused a flight of gold to safer investment or custody in the United States. These facts were reflected in the depreciation of foreign currencies in terms of the dollar. Also in the initial stages of the effort of Europe to reestablish the gold standard, the device of the gold-exchange standard has been adopted in some instances, and gold balances were built up in the United States as reserves under that system.

Dollars at a Discount in Nine Places

NOW, however, most of these conditions driving gold to the United States are changed. The nations of Europe are once more becoming fully productive, and their credit is good in America. Almost all the great nations have in effect restored the gold standard and are seeking to establish reserve stocks of the metal in their own central banks. No longer are the foreign exchanges universally depressed in terms of the American dollar, for at a recent date the dollar was at a discount in no fewer than nine financial centers, including London, Antwerp, Geneva, Amsterdam, Stockholm, Buenos Aires, Bogota and Valparaiso, and several of these nations have been conspicuous in the export gold shipments from the United States in recent weeks. This has served to release gold to the rest of the world, for so long as foreign exchanges were at a discount the metal was firmly locked in the United States.

Those Old TITANS Who Wanted Facts

Every now and then, the picture of some industrial giant or financial genius of twenty-five or thirty years ago, appears in a current magazine.

No matter who the old gentleman may be, he is apt to be credited with having said, "I want the facts." And to any one familiar with the biographies of some of these grand old men, it is hardly questionable that they *did* want the facts and said so.

They hungered for facts, these old Titans—facts on trade conditions, on markets, materials, processes, inventories, costs, organization, sales—facts on the wastes in their business, leaks and mistakes. That facts were obscure and hard to get in their day only stimulated their desire for exact knowledge. They searched and *dug* for facts, and on them visioned the future and laid the plans for their great achievements.

All progressive business, striving to attain larger reward and new heights in human service, has for its slogan, *Facts*. And Modern Accountancy stresses the *necessity* for facts, timely, dependable, properly interpreted—and has made them, to a large extent, readily available.

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RICHMOND	TAMPA	TOLEDO	FORT WAYNE	SAN ANTONIO
WINSTON-SALEM	CINCINNATI	ST. LOUIS	DAVENPORT	WACO
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BUFFALO	LOUISVILLE	KANSAS CITY	GRAND RAPIDS	SAN FRANCISCO
ROCHESTER	HUNTINGTON	OMAHA	KALAMAZOO	LOS ANGELES

In the three months' period from the first of September to the end of November, Canada took nearly \$20,000,000 of gold from America, the Argentine over \$31,000,000, Brazil in excess of \$33,000,000, while other substantial amounts went to many other places, notably points in the British Empire.

It is to be expected that with the continuance of world developments going on today there will be further substantial withdrawals of gold from the United States. It also seems to be a fact that, in view of the present extended condition of credit in this country, especially in respect to the employment of commercial banking credit for investments and the financing of speculative operations, the outward movement be-

gan at a time that was not the most convenient from the point of view of America. It is also undoubtedly true that the smoothly working mechanism of the Federal Reserve System will fully meet the consequences that will arise from this situation.

Group Subscriptions

The Journal's Group Subscription Plan enables banks to provide all their directors with copies of the Journal each month.

The banking staff that each month possesses itself of the facts, opinions and interpretation given in each month's Journal is adding to its equipment to serve.

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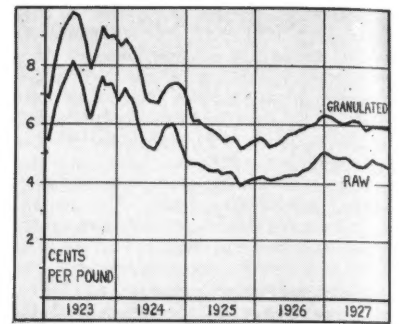
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52 Cedar Street, New York



Sugar Prices Decline to Pre-War Levels
on Estimate of Larger World Crop

Following is a summary of the production over the last two years by principal countries:

World Sugar Production (Long Tons of 2240 Lb.)

	1926-27 Harvest	1927-28 Estimate
Cuba	4,508,521	4,000,000
British India	3,208,000	3,200,000
Java	1,959,948	2,359,050
Hawaiian Islands	724,403	729,000
Africa	635,474	670,500
Brazil	850,565	650,000
Philippine Islands	584,238	600,000
Japan and Formosa	499,425	600,000
Porto Rico	562,679	565,000
Australia	415,611	485,000
Argentina	475,695	375,000
San Domingo	303,524	300,000
Peru	275,000	290,000
Other Countries	897,468	905,000
Total Cane	15,900,551	15,728,550
Germany	1,657,088	1,700,000
Russia and Ukrania	859,380	1,400,000
Czecho-Slovakia	1,043,259	1,265,000
United States	801,246	925,000
France	729,082	870,000
Poland	552,553	620,000
Italy	233,421	300,000
Belgium	313,738	280,000
Great Britain and Ireland	165,465	269,000
Holland	287,427	260,000
Spain	284,387	225,000
Other Countries	762,702	934,000
Total Beet	7,689,748	9,048,000
Total Cane and Beet	23,590,299	24,776,550

President Fixes Mills' Output

CUBA has taken the lead in a movement to curtail world production down to balance consumption, and the Cuban Congress has passed legislation creating a Sugar Commission whose duty shall be the gathering of facts and estimates on world production, stocks and consumption. Upon this commission's findings the President shall fix each year the amount of the crop which each mill on a pro-rated schedule shall be allowed to grind.

Last year it was also decreed that grinding should not start before Jan. 1 instead of around the end of November, as usual; also that total output should be limited to 4,600,000 tons. This year it was likewise decreed that grinding should not begin until Jan. 15, and while to date no limitation on the size of the crop has been announced, it is expected that as the season advances a maximum of around 4,000,000 tons will be specified.

Such attempts at artificial regulation invariably have their bad effects, and it appears that Cuba is "holding the bag" for producers in other parts of the world. Principal changes which will be noted in the above table are a decrease by Cuba of ap-

Profits in Sugar

(Continued from page 537)

sible to see things then as we do now, this depression in the sugar industry furnishes one of the most striking examples in modern times of the working out of natural economic law, and the penalties suffered by the "practical business men" who ignore it.

So much for history, and the present situation finds production and consumption again in fair balance, due principally to the action of the largest producer, Cuba, curtailing its output by government decree. This has prevented the market price breaking, allowed other countries to increase their output back to normal, and benefited the

industry at large, though at the expense of Cuba.

The World Crop

ACCORDING to the latest estimates available for this year's crop, prepared by Messrs. Willett & Gray of New York, sugar statisticians, the prospects are for a world crop of 24,776,550 long tons, representing an increase of 1,186,251 tons over the crop of 1926-27, which amounted to 23,590,299 tons. Of this total the cane crop is placed at 15,728,550 tons, or 63.5 per cent, and the beet crop at 9,048,000 tons, or 36.5 per cent.

proximately 509,000 tons, also by Brazil of 201,000 tons and Argentina 101,000 tons. However, this is more than offset by larger production in Java by 399,000 tons, Japan and Formosa 101,000 tons, and in the beet sugar countries a gain by Czecho-Slovakia of 222,000 tons, Great Britain and Ireland 104,000 tons, and United States 124,000 tons.

This result has caused many advocates of sugar restriction in Cuba to have doubts as to the lasting benefits of such a program, and to suggest that possibly Cuba's limitation policy for the last two crops may have merely delayed a solution of the over-production problem. However, Cuban interests under the leadership of Colonel J. M. Tarafa are carrying on negotiations with a view to making cooperative restrictive agreements by other producing countries.

Cultivation and Harvesting of Cane

FOR the benefit of those who have not had an opportunity to visit Cuba and see the sugar industry for themselves, with its beautiful, rolling fields of cane, dotted with clumps of tropical palm trees, bordered by picturesque shore lines and under clear skies, a brief reference to cane cultivation may be of interest, also a sketch of the processes used in making raw sugar and refining the same.

The stalk of the sugar cane plant grows about twelve feet high on the average, has a diameter of one to three inches, and weighs five to ten pounds. The percentage of sugar content varies from 9 to 15 per cent of the weight of the cane, depending on the variety and condition of its growth.

When the land has been cleared, the planting consists of making holes in the ground, into which cuttings are dropped and covered with earth. The cane thus planted grows from twelve to fourteen months before being harvested. Thereafter the cane can be cut annually for perhaps eight years before the fields are plowed and replanted.

During growth the only cultivation necessary is to cut down the weeds, and as the cane is planted in rows and has a thick foliage, the ground is soon thoroughly shaded. This shade keeps down the weeds and aids in retaining moisture.

The cane begins to ripen in December, and the grinding season extends through the month of June. The cane is cut close to the ground with a knife, much as corn is cut in the states, but recently harvesting machines similar to "wheat combines" have been developed to do the work. After being stripped of the leaves and tops, and cut into convenient lengths of three to four feet, the cane is loaded onto ox-carts and hauled to the loading stations.

Each plantation has its system of railways leading to the concentrating stations or direct to the sugar factory or "central." Modern types of cane cars have a capacity up to twenty-five tons and are arranged with sides to swing out and dump the cane when it arrives at the factory and has been weighed.

From Juice to Crystal

A MODERN sugar mill on the better plantations in Cuba represents a large investment because of the elaborate mechan-

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J.A.B.A. 1-28

ical equipment required. When the cut canes reach the sugar mill they are conveyed automatically to a stand or set of corrugated rolls and are given a preliminary crushing which breaks down and sheds the cane stalks. The juice in the cane is then squeezed out by running the shredded cane through several successive stands of the rollers. Between the large rollers is a trough in which the juice is caught as the cane is crushed, and from which it is pumped to the purifying tanks while the fiber or "bagasse" part of the cane is automatically conveyed to the boiler room of the factory for use as fuel.

The juice is now ready for purification and is treated with lime and heated. The heat causes the heavier and muddy impurities to sink to the bottom of the purifying tank, and the lighter impurities to appear

on the top as scum. Between the upper and lower layers of impurities is the clear cane juice. This clarified juice is drawn from the tank to be evaporated, and the scum and other impurities are pumped to the filter presses, where additional juice is recovered and added to the clarified juice already extracted.

At this stage the juice is a thin mixture containing about 85 per cent water, and the next step in the process is the evaporation of this water and the reduction of the juice to a syrup. This is accomplished in an apparatus known as the multiple evaporator. The syrup is then ready for boiling in the vacuum pan, a cylindrical vessel with a dome-like top and conical bottom. The vacuum pan makes it possible to boil syrup in a vacuum at low temperatures, and



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this process is carried on until minute grains or crystals of sugar are formed. The sugar boiler adds new juice from time to time in the boiling process, and the crystals are gradually built up to proper size. The crystals, which are in a mixture with the residue liquor or molasses, are then ready for removal from the vacuum pan.

While the mixture is warm, it is conveyed to the centrifugal machine, which is essentially a brass cylinder with small perforations and is surrounded by an outer casing. The cylinders of the machines are revolved at high rates of speed and the molasses is expelled from the mixtures by centrifugal force through the perforations in the cylinders into the outer casings, from which it is removed for further use or sale. As the sugar polarizes at about 96 degrees, raw sugar manufactured in this manner is known as "96 degrees centrifugal."

The refining process is similar to that

used in making raw sugar, and comprises a further melting, purification and crystallization. American refineries are concentrated in three localities: the Atlantic Group, which accounts for about 70 per cent of total capacity centering around New York, Boston and Philadelphia; the Gulf Group, around New Orleans, making up about 20 per cent; and the Pacific Group along the California coast making up the remaining 10 per cent.

Leading Companies in Cuba

AMONG the leading companies, the United Fruit Company surmounts all others in point of earnings, but this concern, although usually classified in the sugar industry, derives the major portion of its revenues from its enormous fruit plantations in the West Indies, Central and South America, where it raises bananas and other tropical fruits,

and also operates a steamship line of ninety vessels. It is a premier organization, whose financial strength is impressive.

Of the strictly Cuban companies, the largest earnings are shown by the Cuban American Sugar Company, whose report for the year ended Sept. 30, 1927, has just been issued. This concern was incorporated in 1906 to consolidate five independent companies engaged in the business of cultivating sugar cane and manufacturing raw and refined sugar in Cuba. Later two additional companies were acquired, and a subsidiary company organized to take over the operation of its railroad system. Its "Chaparra" and "San Manuel" properties, which adjoin, and are operated as a single unit, form the largest sugar estate in the world.

Cuban American in its 1927 fiscal year reported net profit after all expenses, depreciation, taxes and interest of \$1,632,003, which compares with \$939,000 in 1926. At the beginning of the year it had outstanding \$10,000,000 in common stock, \$7,893,800 in preferred stock and a surplus of \$26,624,632, making a total invested capital of \$44,518,432 on which last year's profit represents a return of 3.7 per cent.

Cuba Cane Sugar Corporation is the largest company in the world in point of production, and last year turned out 4,273,766 bags (325 pounds each) of raw sugar compared with 1,851,649 bags for Cuban American. Net profit, however, was lower, because of interest charges on its large bonded debt, and amounted to \$942,000, contrasted with a deficit of \$1,982,079 in 1926.

Capitalization at the beginning of the year consisted of \$50,000,000 preferred stock outstanding, \$4,583,335 common stock, and a surplus of \$12,029,856. On this total capital investment of \$66,604,191, the year's profit represented a return of 1.4 per cent.

Porto Rico Has Big Sugar Year

THE profitable nature of the sugar business in Porto Rico was demonstrated again by the results of the three leading companies, Central Aguirre, Fajardo and South Porto Rico, in the crop year 1926-27. All these companies showed substantial earnings in the preceding depressed sugar years, during which most Cuban and American beet sugar companies were operating at a loss, and last year, thanks to higher prices, they showed the largest earnings in years.

The Porto Rican sugar business is profitable for several reasons, chief of which is that the sugar enters the United States duty free, whereas Cuban sugar must pay 1.76 cents per pound. This protection more than offsets the higher cost of sugar production in Porto Rico. Leading Porto Rican companies also are practicing intensive cultivation to a greater degree than Cuban companies. Some concerns, notably Central Aguirre, have done extensive research work on new cane varieties, which have proved highly successful in increasing tonnage yield per acre and sucrose content per ton. Irrigation, particularly in Central Aguirre's fields, also has reduced dependence upon weather.

Central Aguirre Sugar Co. increased its earnings in the fiscal year ended July 31 from \$1,063,000 in 1926 to \$2,492,000 in

1927. Capitalization at the beginning of the year was \$3,600,000 in common stock, \$14,828 minority interest stock, and \$7,550,326 surplus (unappropriated). On this total capital investment of \$11,165,154, last year's profit represented a return of 22.3 per cent!

Fajardo Sugar Co. of Porto Rico increased its earnings in the July 31 fiscal years from \$582,000 in 1926 to \$902,000 (before certain charges) in 1927. Capitalization consists of \$6,477,900 common stock, \$28,900 minority interest stock, and \$2,718,548 capital and earned surplus. On this investment of \$9,225,348, last year's profit was at the rate of 9.8 per cent.

South Porto Rico Sugar Co., whose fiscal year ends Sept. 30, increased its net profit from \$1,581,000 in 1926 to \$3,118,000 in 1927. Capitalization consists of \$5,000,000 preferred stock, \$11,205,600 common stock, and surplus and reserves of \$5,785,444. On this capital investment of \$21,991,044 the 1927 profit represented a return of 14.2 per cent.

How Profits Offset Losses

LIMITATIONS of space prevent a discussion of certain other phases of the sugar industry, such as refining and beet sugar manufacture. While they as well as the producers of raw sugar have had their troubles aplenty, the outlook for both of these branches also appears more hopeful at present.

Among refiners, the American Sugar Refining Company is the leader, while in the manufacture of domestic beet sugar the Great Western Sugar Company ranks first.

In order that the earnings of these premier companies may not give the impression that such returns are general throughout the industry, we are presenting below a table showing the profit, after taxes, of all companies in the industry, also the losses:

Sugar Producers and Refiners

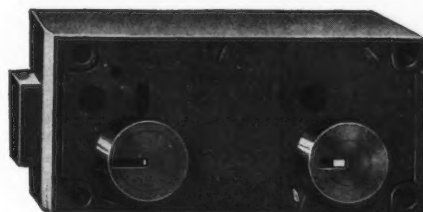
Year	No.	Reporting Net Income		No.	Reporting Deficit
		Balance after Taxes			Deficit
1918 ...	143	\$56,925,777	143	\$2,394,359	
1919 ...	150	99,745,044	40	1,460,254	
1920 ...	108	78,863,485	122	13,188,357	
1921 ...	37	5,058,680	164	89,059,008	
1922 ...	116	37,060,959	113	13,740,836	
1923 ...	137	63,842,110	103	5,285,392	
1924 ...	124	49,139,413	111	16,464,139	
7 Yrs...	815	\$390,635,468	796	\$141,592,345	

These figures were prepared from the annual reports of the Treasury Department on Statistics of Income. In the 1925 report the usual classification is not given, and the department advises that no separate compilation was made of the subgroup of sugar companies, they being combined with several other subgroups under "Food products, beverages and tobacco."

Even though the latest year is not available, this summary for the seven years will show how the abnormal profits of a few war years were wiped out by the disastrous losses in the 1921 crash, and the slow process since then of working the majority of companies back on a profit-making basis.

On an average over the seven-year period for which Treasury figures are available, practically half of the sugar companies operated at a profit and half at a loss. The aggregate net income was \$512,207,295, on which taxes of \$121,571,827 were paid, leaving a balance of \$390,635,468. This was off-

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Left the double-horn S&G Safe Deposit Lock (changeable sealed key type) in use at the National Exchange Bank, Milwaukee. Below an installation of single-horn S&G Safe Deposit Locks (changeable sealed key type) in the Bank of America vault, 44 Wall Street, New York.



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The Timebination Lock, a recent invention, is a short-interval time lock, protecting funds against sudden raids or hold-ups.

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Here are a few installations:

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Equitable Trust Company, New York
Erie Trust Company, Erie
Farmers Loan and Trust Company, New York
First Trust & Deposit Company, Syracuse
Howard Savings Institution, Newark
Liberty Title & Trust Co., Philadelphia
N. Y. Stock Exchange Safe Deposit Co., New York

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set by losses aggregating \$141,592,345. In other words, for every \$1,000,000 profit after taxes made by a successful concern, some \$360,000 was lost by some competitor.

Taking the industry as a whole over the seven years' period, the government collected \$1 of taxes for every \$2 realized as net profit after losses. Moreover, much of the profit was only on paper, due to inflated sugar prices, but the taxes levied had to be paid out in cash. This does not take into consideration the tax on sugar importations, which from this one commodity alone makes up approximately one-third of the entire United States customs receipts. It has the effect of holding down the prices the producers in Cuba (mostly American owned) receive for their sugar, and at the same time encourages the higher-cost production from domestic beet, at the expense of the

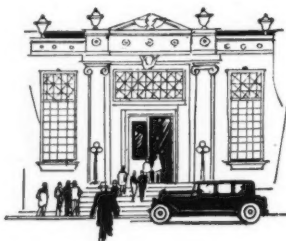
American public at large. Present tariff is 2.206 cents per pound (1.7648 cents for Cubas), which adds about 80 per cent to current price of raws.

Sugar Institute Planned

LAST month representatives of the various refining interests of this country met in New York to consider the proposed formation of a Sugar Refiners' Institute, the purpose of which would be to establish more uniform trade practices and to improve marketing conditions generally. This move is regarded as a constructive development for the refining industry.

Formation of such an association was approved by those who attended the conference.

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Flood Sufferers Paying Their Loans

By W. A. HICKS

President, Arkansas Farm Credit Co., Little Rock, Ark.

THE Arkansas Farm Credit Company, which was organized after the big floods of the Mississippi and Arkansas last spring, extended aid to over 2000 families, and these same injured borrowers now are paying up their loans as they fall due.

It was remarkable how readily many individuals, banks and business concerns located throughout the East, as well as in Missouri, Tennessee, and Arkansas, responded to the call for subscriptions to the capital stock of the company. Within a very short time after the call went out full-paid subscriptions had been received aggregating \$625,452.50, all that was necessary in the

way of capital to make loans that were needed in view of the arrangement with the Federal Intermediate Credit Bank of St. Louis to rediscount notes in the amount of three times the capital of the company. With the capital in, it gave the company available credit to the extent of more than \$1,500,000.

As time went on it became apparent that the amount of capital invested in the company was more than sufficient to take care of the demand without the assistance of the Federal Intermediate Credit Bank. The peak of our loans reached \$425,000. We were not disappointed, however, that more money was not loaned, because we knew

that through the operation of the company, together with the splendid help rendered by the American Red Cross, that credit was being reestablished with regular lending agencies.

Of the amount loaned, approximately \$210,000 was due Oct. 1, and at the time of writing this article approximately \$200,000, that matured Oct. 1, has been paid, leaving only about \$10,000, which is now being carried as past due, but which we believe will be paid by not later than Jan. 15. The remainder of the loans have not as yet matured. All of the loans are properly secured, and the larger part, if not all, of same will be paid as they mature.

Up to the present time we have been able to operate at a small profit, as the interest on loans—the only source of income—has exceeded the cost of operating expense approximately \$1,000.

In several of the counties the residents have not as yet recovered sufficiently to be entirely self-sustaining, and they will not be able to farm during the coming year unless they can obtain credit accommodations from sources other than those located locally.

The company has been asked by officials of the American Red Cross to continue its operations throughout 1928.

It is believed by the directors of this company that we should continue our operation. Only 50 per cent of our original capital will be needed, and we are at this time retiring 50 per cent of the outstanding stock that has been fully paid.

Helps Solve Problems

From the Washington Bankers Association Bulletin.

“MORE than 4000 bankers gathered at Houston, Tex., and participated in the Fifty-third Annual Convention of the American Bankers Association, held in that city Oct. 24 to 27, 1927. The keynote of the convention, as expressed in the reports, was how to adapt the banking business to changing conditions and at the same time supply the customers of banks with modern financial service. The supplying of such service implies profitable banking, because banking that is not profitable cannot long continue. The movements that we have under way as Association activities in this state are in line with the most highly commended activities discussed at the American Bankers Association Convention.

“We have read the AMERICAN BANKERS ASSOCIATION JOURNAL for November from front cover illustration to the Remington Typewriter advertisement on the back cover. As one of the best of the recent publications for bankers to read, we suggest the November JOURNAL of the Association. If you cannot read it during business hours, take it home and read it at night. You will find some helpful suggestions in solving your problems, some comfort for the mistakes you have made, and a lot of inspiration for the year that is ahead. Your store of useful information will be increased and you will belong to that ever-increasing number of better and safer bankers if you but incorporate in your own practices the many splendid suggestions that are applicable to your own situation.”

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What Will We Plant?

(Continued from page 556)

copies of the summary and of the more local report if one has been made. As the advice of the country banker usually carries great weight with the farmers, he is in a position to make valuable use of the reports and to bring them to the attention and use of the farmers in a most practical way. Especially in those communities where local applications of the reports have not been worked out and published, the informed banker can supply the local interpretation of the report which is so needed in practical farmer application. In some cases the bankers may be influential in having the state undertake the work of a local report based on the national outlook.

After the distribution of the outlook report is completed and the leaders have had time to develop local reports and go over both reports with the farmers, the bureau secures its annual samples of farmers' intentions to plant and to breed, through an extensive questionnaire method, and then compiles and issues its yearly report built on the farmers' reported intentions to plant and to breed. If in any area, or regarding any commodity, the reported intentions are markedly out of line with what the deductions from the outlook report show to be safe, the bureau issues a supplementary report, pointing out these discrepancies.

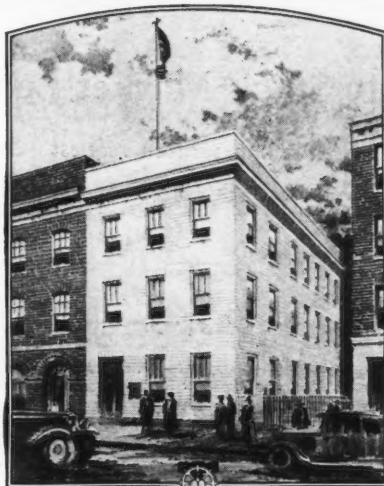
Later in the year further supplemental special outlook reports are issued, including a hog outlook statement in July based on the midsummer pig survey, a winter wheat outlook in the fall, and sheep, lamb and beef cattle outlook reports at appropriate times during the year.

Until five years ago no attempt was made to estimate actual annual livestock production. The only measure was the change in inventory numbers as of Jan. 1—admittedly a very inadequate basis. No official information was available to producers, to credit agencies, or to the trade, in advance of the marketing period, as to the size of the pig or lamb crops, number of cattle and sheep being fed for the market, probable market supplies over seasonal periods, or the condition of livestock to be marketed. Practically the only information was fragmentary, unorganized and often conflicting. The series of livestock reports now issued throughout the year aims to provide this information in a form that is readily used by representatives of all factors in the livestock industry, including many bankers.

Considering the recent development of this outlook work and the lack of complete information on many of the points that must be considered, the conclusions presented in the reports have proved to be remarkably accurate. In even the earliest reports nearly 90 per cent of the outlook statements on individual commodities turned out to be right, and subsequent events have proved that in recent reports 95 per cent of the statements were accurate.

From the individual point of view, the series of agricultural outlook reports is a basis for rational farm and marketing practices. From a national point of view, it is an aid to be used in any comprehensive program to stabilize agriculture.

IN the newer business district of the fastest growing Pennsylvania city is this private office building.



ing. With modern equipment, and sunlight all day long, it is a cheerful, wholesome place to work.

Forty People to Work for You

THERE are seventeen rooms in this building. They occupy fifty-two hundred feet of floor space. Between forty and fifty people are regularly at work in them. This briefly describes the workshop and offices of the Tilghman Moyer Company.

The banker who visits this building during business hours sees activities in a diversity for which he was hardly prepared. Should he meet some of the heads of departments—the designer, chief draftsman, construction superintendent, structural engineer, cost accountant, purchasing agent—and talk with them about their individual angle of the work, he cannot help but conclude that the designing and constructing of a modern bank building is a complex affair.

To one unacquainted with it, the mass of detail involved and the wide variety of problems to be solved is almost appalling. That is why it takes forty or more people to design and build such a building, do it on schedule time, to the bank's satisfaction and within its original appropriation.

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Gentlemen: Without obligation, please mail me a copy of "Building the Bank for Business."

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Address: _____

Thrift Week Schedule

THE official schedule for National Thrift Week, which begins Jan. 17, the anniversary of the birth of Benjamin Franklin, "American Apostle of Thrift," and continues through Jan. 23, is as follows:

Jan. 17, Tuesday—National Thrift Day
Jan. 18, Wednesday—National Budget on Home Economy
Jan. 19, Thursday—National Life Insurance Day
Jan. 20, Friday—National Own Your Home Day
Jan. 21, Saturday—National Pay Bills Promptly Day
Jan. 22, Sunday—National Share with Others Day
Jan. 23, Monday—National Safe Investment Day

The National Thrift Committee has sent out through bankers and others the following "ten steps to financial success":

Work and Earn	Own Your Home
Make a Budget	Make a Will
Record Expenditures	Invest in Safe Securities
Have a Bank Account	Pay Bills Promptly
Carry Life Insurance	Share with Others

The committee's program, as announced, is based on the principle that thrift is a fundamental of success, prosperity and happiness, and the slogan of the campaign is "For Success and Happiness."

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State Supervision

(Continued from page 538)

pledge of good faith, such trust shall deposit interest-bearing stocks or bonds of the state or the United States to the amount of \$25,000 with the Superintendent, the trust to collect the interest on deposited securities; (4) the trust shall have the power to issue bonds, debentures or obligations with a 100 per cent equity provided, and preferred and common shares of any class, to buy, own or sell real estate for buildings for the transaction of its business, or conveyed to it in satisfaction of debts, etc.; (5) shall enter only its own assets in its books, etc.; (6) must submit to directors and note in

its minutes communications from the Superintendent; (7) shall report to Superintendent annually or at such times as required; (8) is liable for assessments by Superintendent; (9) shall preserve records for six years; (10) no directors, officer or employee shall lend or borrow upon any note or other evidence of debt of the company; (11) no person shall transact investment trust business until the foreign corporation or unincorporated association they represent shall have complied with this article; (12) every foreign corporation or unincorporated association, before being licensed by the Superintendent to transact in this state an investment trust business, shall comply with a number of provisions; (13) certain other provisions for such foreign corporations or

unincorporated association are listed; (14) if such foreign corporation or unincorporated association is licensed, it may transact an investment trust business in this state until Jan. 1 succeeding the date of the license; (15) such corporation or association shall deposit \$25,000 in bonds, as the state corporation must do; (16) all agents or representatives of such corporation must be listed, with full names and address, and the list filed with the Superintendent; (17) all rights and privileges granted such foreign corporation or unincorporated association will cease if the Superintendent revokes the license, and (18) any business corporation previously organized under the Business Corporation Law may within ninety days become an investment trust if its corporate purposes include the transaction of the business of an investment trust, under its former name, within ninety days of the passage of this article, provided it reincorporates in accordance with this article.

Not Yet Tried

IN the report frank acknowledgment was made that the American investment trust has not yet withstood the time of stress which may be caused by a falling market, or experienced times of adversity. The operations have been conducted in a rising market. The conclusion was that "the time for the state to adopt reasonable and constructive legislation providing a guide for the future is the present." "The legislation we suggest proposes to lock the barn door while the horse is in the stable," the report stated, "and is intended to be constructive, helpful and cooperative with the managers of honest and responsible investment trusts, which avail themselves of it."

While the laws will apply to investment trusts chartered in New York State, the proposed statutes will force those set up in other states, which do a business in New York, to comply with the major requirements. Only companies duly incorporated will be permitted to use the title "investment trust."

It is naturally a matter of speculation as to whether the proposals will become a law. In working out the series of suggested statutes, the Attorney General consulted a number of the officers of the larger investment trusts as well as others who are familiar with their operations. Generally, the recommendations were well received in investment circles. As yet the banks have not given definite expression to their views, but it is understood that they want to be fully satisfied that, if investment trusts are placed under the supervision of the Department of Banking, the safeguards thrown around their operations will be effective, and the regulation ample and full. They do not want the investors to get a sense of security from the fact that they are under the same supervision as banks unless it is thoroughly justified. It is believed that there will be further suggestions as to the employment of independent trustees, which will afford more protection to the investors, in some of the types of investment trusts.

While the announcements made by officials of the States of New York and New Jersey have commanded the most interest, it is quite likely that other states will act before the next session of their legislatures.

New Books

INDUSTRIAL CREDITS. By Robert Young. Published by Harper & Brothers, New York. 555 pages. \$5.

Throughout the entire work, the author endeavors to present a view of all phases of the subject of credit, from the standpoint of what is actually done in the course of industrial credit work. The emphasis throughout is upon operating practice, illustrated with sample forms, but the theory and principles of credit have been considered wherever it has seemed necessary. Credit men in banks, as well as in mercantile and wholesale houses, should be able to make helpful use of the recommended procedure.

INSURANCE TRUSTS. By C. Alison Scully. Published by the National Bank of Commerce, New York. 103 pages.

Five years ago the insurance trust was virtually unheard of. Today it is the most significant and outstanding class of business in the fields of trust service and life insurance. While the subject is one with which well-informed insurance underwriters and trust officers are conversant, some do not understand it in all its details and, therefore, avoid the subject as strange and unfamiliar ground. Many members of the bar, when asked by a client to draft an insurance trust agreement, are puzzled to know how to proceed. This book is designed to place ready information at the disposal of those interested, and to direct those having occasion to deal with the subject in their professional and business lives to sources of authority from which detailed technical information may be procured.

HOW TO READ A PROFIT AND LOSS STATEMENT. By Herbert G. Stockwell. Published by Ronald Press. 411 pages. \$6.50.

The present work is a companion volume to the author's previous work, entitled "How to Read a Financial Statement." In that volume the main purpose is to explain the meaning of the different kinds of assets, liability, capital stock and surplus items, just as they appear in the balance sheets of business concerns. But the balance sheet at a particular date does not show what the flow of income and outgo has been in the business, and whether the result was profitable or unprofitable. To show the flow itself is the peculiar function of the profit and loss statement, discussed and analyzed in these pages.

FUNDAMENTALS OF FINANCIAL ADVERTISING. By John D. Long and John E. Farwell. Published by Harper & Brothers, New York.

The object of this book is to set forth the principles and methods of financial advertising in brief and clear form, in order to supply the person interested to carry on this work with a practical and helpful guide in this field.

In presenting their material, the authors have first set forth the main features of advertising principles and technique, with its possible application to financial advertising.

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It is intended for the financial advertiser within a bank, for advertising agencies, and as a textbook in collegiate schools of business.

MONEY. Translated from the German of Karl Helfferich by Louis Infield. Published by the Adelphi Co., Philadelphia, Pa. \$12.50.

This book was first published in 1903. The present translation is based upon the sixth and last revised edition date 1923. The book seeks to show that the science of money plays a most important part in the general economic theory, and is vital for the correct appraising of individual problems of practical economics. It deals with all aspects of money. It begins with the economic and

legal conceptions regarding it, and its general organization. It then goes on to a theoretical study of the money of our modern economics system, its functions, its relation to the State, its organization and the causes and effects of the changes that it is undergoing.

FUNDAMENTALS OF BANKING, FINANCE, AND ECONOMICS. By Charles W. Disbrow. Published by Doubleday, Page & Co., Garden City, N. Y. \$2.50.

This book tells how credit is created, the limit to the amount that can be created, the financing of the debt, the far-reaching effects of capitalizing income, and the like.



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New Books

SOME LEGAL ASPECTS OF LIFE INSURANCE TRUSTS. By Guy B. Horton. Published by the Author, Montpelier, Vt.

The author maintains that there is nothing necessarily complicated or unusual about a life insurance trust. It is very much like any other trust except that the fund is insurance in whole or part. It is an arrangement whereby the insurance will be paid to a trustee—usually a trust company—to be held and disposed of by it. To reach some analysis and possible solution of such problems as concerns both insurance companies and trustees is the object of the author. Mat-

ters of concern to either solely are intentionally omitted.

OUTLINES OF PUBLIC UTILITY ECONOMICS. By Martin G. Glaeser. Published by Macmillan Co., N. Y. \$4.25.

What the author has attempted to do is to present the economic problems of all of the public utilities taken as a group. It has been his aim to consider the fundamentals, the aspects that are common to all utilities and the instances where one industry of the group has influenced another. The entire field of public utilities is covered and in this respect the work differs from other books and monographs which have dealt only with a particular industry or a particular phase

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of public utilities problems. Railways are included as one of the greatest of our public utilities.

CORPORATION TREASURER'S AND CONTROLLER'S GUIDE. By William H. Crow. Published by Prentice-Hall, N. Y. \$15.00.

This is a ready reference of manual describing in detail the organization and work of the treasurer's, controller's and auditor's departments of large and small corporations. It discusses the financial, accounting and legal aspects of the work, based upon the actual experience of corporation officers in the handling of their duties—whether specified by statute, by the by-laws, or otherwise required in the conduct of the business. It is a compilation of methods, experiences, precedents.

PROBLEMS IN BANKING, MONEY, AND CREDIT. By John M. Chapman and Ray B. Westerfield. Published by Ronald Press Co., New York. \$4.50.

This volume is designed to serve as a text in university and college courses in banking, money and credit. It gives the legal and historical aspects of the development of banking in various countries, more especially our own. It shows in outline the relation of money, banking, and credit, to the general field of economics. A large portion of the problems selected deal with the present day conditions, but to give proper perspective there has been included a large number showing the genesis of our currency system and practice.

FREEDMEN'S SAVINGS BANK. By Walter L. Fleming. Published by the University of North Carolina Press. \$2.00.

The Freedmen's Savings Bank was organized by friends of the negro shortly after the Civil War. It grew rapidly and established branches throughout the South. It was a promising experiment containing possibilities of great benefit to the liberated negroes. Its failure, due to mingled dishonesty and incompetence, resulted in unfortunate reactions among those who had trusted it. Dr. Fleming traces its origin, growth, decline and failure, and indicates its effects upon the negroes.

Tax Machinery

(Continued from page 532)

edge, especially as it related to precedence in cases which were current at the time of their leaving the Bureau. And their leaving has undeniably slowed up the work of administering the tax laws and thereby added immensely to the cost of collecting the revenues.

On July 1, 1927, there were approximately 13,000 officers and employees in the Bureau of Internal Revenue and its field service. "The persons who made decisions yesterday are not with the Bureau today," declares a report made recently to Congress. "And they have taken with them their experience, their insight into problems, and the results of their studies. The administration of any law is effectively limited by the experience, ability, and judgment of the personnel. The personnel problem is the most difficult. A satisfactory solution has heretofore been denied."

One of the most obvious proofs of that statement is found in the appeals which are taken to the Board of Tax Appeals. In nearly all other branches it is the experience of practitioners that the government is most frequently the successful party in appealed cases. Not so in tax cases. The Internal Revenue Bureau is overruled in nearly one-half of the appeals taken. That has been cited as an evidence of the lack of ability to control personnel sufficiently to enable the Bureau to administer the laws efficiently. Certainly, when it is known that the taxpayer stands a fifty-fifty chance of winning his appeal, there are more cases taken to the Board of Tax Appeals.

AND what is the result? Approximately 19,000 undecided cases are pending before the Board of Tax Appeals, involving aggregate deficiencies of about \$550,000,000. The petitions being filed with the Board exceed the number disposed of by more than 200 per month.

It is the opinion of many that more legal talent must be acquired. It is recommended, too, that the compensation be changed for persons appointed under the civil service laws; that twenty-three assistants to the General Counsel be provided for at a compensation not to exceed \$7,500 each, without regard to the classification act. The average salary now is between \$4,500 and \$5,000. And it is further recommended that fifty more law clerks be allowed to receive compensation not in excess of \$6,000. This would permit the employment of young graduates from law schools and make it worth their while to remain in the service.

A proper legal staff would make possible the settlement of many tax disputes within the Bureau and without recourse to the Board of Tax Appeals. Such compromises and settlements would make the collections more efficient and the cash returns to the government more substantial. Congestion would be relieved and many cases could be kept out of court. Such a staff would eliminate delays in making decisions by the Bureau, for too frequently now the Bureau finds it impossible to decide a case because the principle is in controversy. The attorneys in the Bureau are overworked. When handling from 200 to 500 active cases, no

— JOHN HANCOCK SERIES —

THRIFT WEEK and the HOME BUDGET

DURING JANUARY, from the 17th to the 23rd, the country generally, and life underwriters in particular, will be concentrating their attention on the Thrift Idea.

Gradually the Thrift Movement, which began in a desultory way, is being expanded as well as controlled and directed by a National Committee with headquarters in New York City at 347 Madison Avenue.

This organization is known as the National Thrift Committee. The Y. M. C. A., the life insurance companies and the banks have been the most active promoters of the movement.

All begin to realize that one of the defects of a growing and prosperous country like the United States is the inclination to spend up to the limit, and very often beyond.

The Thrift Movement is teaching us that a little more thought in budgeting the income, a little more care in overseeing the outgo, simply gives greater value for the expenditure.

The John Hancock Home Budget Sheet has been a great factor in extending Thrift education. Copies on application to

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General Counsel has time left to advise the Bureau on questions of law.

In the amendment of 1926 provision was made for a scientific study of the administration of the law, and now a recommendation is going to Congress for a reform in the statute. The law authorized the crea-

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tion of a Joint Committee on Internal Revenue Taxation to receive and study the recommendations of the experts. This committee is composed of Senators Smoot of Utah, Watson of Indiana, Reed of Pennsylvania, Simmons of North Carolina and Jones of New Mexico; Representatives Green of Iowa, Hawley of Oregon, Treadway of Massachusetts, Garner of Texas and

Collier of Mississippi. All have had sufficient experience with revenue legislation to be fully alive to the importance of the work.

Politics may make it impossible for all the recommendations to be accepted, yet the chances of a pretty fair overhauling of the administrative statutes are assured. To taxpayers in general this should be looked upon with as much thanksgiving as the announcement of another cut in the rate of the taxes. Certainly there is no one thing in which taxpayers should take more joy than in knowing that the administration of the revenue laws is being accomplished in a way not calculated to waste the money of the government. It may have cost the Bureau \$1 for every \$28 collected in revenues prior to the war, and it may be possible to collect today some \$60 for every dollar spent. That, however, does not represent sufficient satisfactory improvement because the collections today are larger, they come in larger units, and with the growth of the receipts there should result a diminution of expenses by mathematical progression. It is possible to effect such an improvement, and, Congress willing, the way is paved for bringing that about.

THE Bureau, with the approval of the Secretary of the Treasury, recommends the following:

(1) An opportunity to retain trained, experienced and competent personnel is essential.

(2) The burden has been transferred to the Board of Tax Appeals and the General Counsel's office, and this burden must be relieved if their true functions are to be performed properly.

(3) The government is handicapped in litigation; it can well afford to settle many more cases without resort to litigation.

(4) Cases must be closed fairly and finally by the Bureau. The shifting of responsibility to the General Counsel's office and to the Board and the constant reopening of cases, as a result of decisions of the courts or the Board of Tax Appeals or a change in regulations, should be brought to an end.

(5) The Treasury is cognizant of its fair share of responsibility.

(6) Taxpayers should cooperate. They are by no means blameless for existing difficulties.

In order to present the situation in broad outline, the above conclusions must be supplemented by three truisms:

(a) At root, the major problem is one of personnel.

(b) All tax cases cannot be closed upon a basis of absolute accuracy. To attempt to do so is to sacrifice accomplishment to the pursuit of an unattainable ideal. Prompt and final settlement is often more important than meticulous accuracy.

(c) The collection of revenue is primarily an administrative and not a judicial problem. As far as the Federal income tax is concerned, a field of administration has been turned into a legal battlefield.

The ambiguous clauses of the statute must be redrafted so as to make certain the intent of Congress, and remove the doubt from the methods of applying the law. It should be made possible to fix values mathematically rather than by applying the rule of opinion. For instance, it is difficult to measure the deductions to be allowed in capital on account of the depletion of oil and gas wells, or mining property. It is difficult at times to measure accurately receipts which are paid on the installment basis. It is difficult to estimate what is unpaid capital and what is reserve. Going through the law as it applies not alone to the tax on incomes of individuals, but more particularly as it is applied to the earnings and distributions of corporations, the ambiguities are at times so glaring that they resolve themselves into downright uncertainties.

There is a widespread conviction that it is possible to write a more scientific law.



Yes, Sir— Seventeen of Them!

"Do you own a farm yourself?" we asked a Banker we know in a farming community.

"I own seventeen farms," he replied, "and they are all productive."

Interesting, isn't it? It's more interesting to know that nearly 50 per cent of the Journal's circulation lies in towns of less than 10,000 population and so important is the influence of the Banker in those communities, one large maker of agricultural implements is using full pages in the Journal to tell his story.

In farming, in industry — everywhere—the Banker is a man of influence, the most dominant figure in business today. As a Banker the Journal's advertising pages bring you facts you ought to know.

AMERICAN BANKERS
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JOURNAL

The Journal's pages offer a direct route to the senior officers of approximately 21,000 banks. Those officers while primarily interested in their bank also have an active interest in 50,000 major businesses of the country. The Journal's audience is an important one—we'll gladly tell you more about it.

WHAT DO YOU THINK?

Being a more or less personal talk between the EDITOR and the READER

Try This on Your Own Bank

IN distributing the Christmas bonus the president of a good bank in the Middle West made the distribution the occasion of a little investigation into the mental equipment of each of the officers and employees by asking two questions:

"What is the capital of this bank?"
"What is the surplus of this bank?"
The answers were disappointing.



He told another bank president of his experience and the second president tried out his own staff of over 100 persons with the same questions.

To his surprise and disappointment he found that only about two per cent of all his people were able to give accurately the capital and surplus of the institution for which they work day by day.

In some minds the question naturally arises, "How could they help knowing?"

What is the reason for this lack of familiarity on the part of so many persons engaged in a business having so much to do with capital?

Is it because we have become so highly specialized that like soldiers on parade we dare not look about us?

Perhaps it is because there are so many things bidding for attention that there is a disposition not to acquire much knowledge that is not used in the day-by-day routine—a disposition to forget the eternal truth that he who does not acquire more knowledge than he needs in his present job is not likely to advance with any rapidity to a better place.

Direct Action Gets Results

"IN the check standardization movement, we have secured very satisfactory results through 'direct action' methods," reports O. Howard Wolfe, cashier of the Philadelphia Girard National Bank, and president of the A. B. A. Clearing House Section. "Our Transit Department has standing instructions to show us any particularly bad check, especially those which are ambiguous as to the place of payment. In each case we write a friendly letter to an officer of the offending bank, reminding him of the country-wide effort now being made to standardize check forms, and calling the check in question to his attention, suggesting that he bring the matter to the attention of his customer so that when the next check book is prepared it will be along standardized lines. We have never received an unfavorable reply, and we believe that if someone in each of the larger banks

of the country would undertake a similar method, the desired results would be accomplished very quickly."

The Number of Failures

IN the current issue of a popular magazine a writer makes this statement, "Business failures are occurring at a rate unsurpassed in any period of the past, right in the midst of our prosperity and abundance."

A check-up on that statement brings us the following report:

"While the number of failures is increasing, it is not at all at an alarming rate. If the figures were expressed in percentages of the total number of concerns in business, thus eliminating the growth trend, the record would be even more satisfactory. Furthermore, the total liabilities of companies failing are running practically the same as a year ago, and liabilities rather than number of concerns may be a still better index to conditions.

"Statistics of failures would be larger but for the facts:

"1. There are numerous voluntary liquidations of concerns unable to make profits.

"2. Numerous mergers in all lines of industry, often including companies that might otherwise fail.

"3. Bankers and creditors committees now-a-days practically carry along a concern that years ago would be put through bankruptcy.

"4. Reorganizations and the raising of new money from security holders has become quite the order of the day.

"There is no question, however, but that in general, the large enterprises are enjoying an advantage while the small concern is not faring so well. In retail distribution particularly, the growth of chain store systems is constantly making it more difficult for the independent retailer. This combined with declining commodity prices for the last two years has made the going rather hard for the small fellow."

Sale Price Was \$280,000

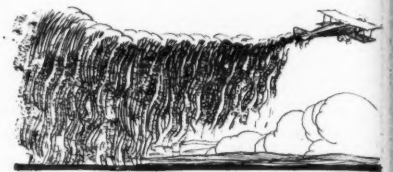
"WITH the publication of your December issue in which your very splendid article appears, there has come to me a great deal of comment from bankers out here," writes A. P. Giannini, chairman of the Advisory Committee of the Bank of Italy, San Francisco. "I have been interested, of course, in reading over what you have had to say and in considering the impression that will be made.

"There is one comment I feel that should be corrected. In the first paragraph on Page 446, the text reads: 'As an example, one unit banker sold out to us two years ago for \$780,000. Today his stock in our bank, which he received for his holdings, is worth more than \$1,000,000.'

"The sale price figure should be \$280,000. As given in the article the increase from \$780,000 to \$1,000,000 would not be particularly extraordinary."

Advertisements Should Be Windows

WE saw a bank advertisement the other day that was unusual in that dependence for effectiveness was placed on plain blunt facts, and not upon language. It read: "There are 857 banks and trust companies in Michigan. Five hundred and thirty-six of these carry accounts in De-



troit banks. It is a significant fact that 326, or more than 60 per cent, have selected the First National bank as their Detroit depository." And then appeared the names of the banks.

Every good bank has in its history, and in its everyday operations, plenty of material from which to fashion striking, unconventional, impressive advertising, and it is out of this treasure house that most of the material for advertising ought to be drawn for every advertisement to which a bank puts its name.

Bank advertising, as well as other advertising, can rise above conventionality. If the public does not understand banks as well as bankers would like to have it, then perhaps that is because bank advertising, instead of being educational and understandable, too often is in the nature of a curtain adding to the mystery instead of dispelling the mystery and revealing the bank on an intensely human institution working for the individual, working for the community, making money for its stockholders only because it makes money for its customers and serves the community. Just language—words and phrases—may produce an effect like a smoke screen.

With the assumption of trust powers by more and more banks, there appears with greater frequency the line "Acts as Corporate Fiduciary," or something to that effect. That is an example of making a curtain out of an advertisement, instead of making the advertisement a window through which the public can see into the service of the bank. Many banks, it is true, are going the whole length of explaining things, but they are exceptional.

The average institution may profitably explain its various operations in A, B, C language, and if in addition, the bank draws upon the treasure house of its experience and illustrates what it is trying to tell with human-interest stories, conviction may be carried to a multitude of people to whom the average advertisement is now, as has been said, in the nature of a curtain.

